

**CONSOLIDATED FINANCIAL STATEMENTS  
OF THE PROCHEM S.A. CAPITAL GROUP**

**As at and for the year ended December 31, 2023**

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## Consolidated financial statements of the PROCHEM S.A. Capital Group As at and for the year ended December 31, 2023

### Consolidated statements of financial position

(all amounts in PLN thousands if not stated otherwise)

	Note No.	31 December 2023	31 December 2022
<b>A s s e t s</b>			
<b>Non-current assets</b>			
Property, plant and equipment	1	15 353	14 769
Intangible assets	2	38	81
Investment property	3	12 219	12 558
Right-of-use assets	4	25 693	29 003
Shares	5	830	830
Shares in entities valued using the equity method	6	0	0
Deferred tax assets	7	8 624	2 096
Receivables under seized security deposits		1 185	2 431
Other financial assets	8	4 969	-
<b>Total non-current assets</b>		<b>68 911</b>	<b>61 768</b>
<b>Current assets</b>			
Inventories	9	2 762	936
Trade and other receivables	10	37 672	51 511
Receivables under current income tax		202	360
Amounts due from recipients under contracts	20	34 126	41 194
Other financial assets	11	596	7 962
Other assets	12	1 338	4 784
Cash and cash equivalents		14 173	36 880
<b>Total current assets</b>		<b>90 869</b>	<b>143 627</b>
<b>Total assets</b>		<b>159 780</b>	<b>205 395</b>

## Consolidated statements of financial position

(all amounts in PLN thousands if not stated otherwise)

<b>Equity and liabilities</b>	<b>Note No.</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Equity</b>			
Share capital	13	2 005	2 355
Shares		-	-350
Revaluation reserve	14	3 384	3 364
Retained earnings	15	59 490	84 691
<b>Parent entity owners' equity</b>		<b>64 879</b>	<b>90 060</b>
<b>Non-controlling interest</b>		<b>2 106</b>	<b>2 334</b>
<b>Total equity</b>		<b>66 985</b>	<b>92 394</b>
<b>Non-current liabilities</b>			
Provision to deferred income tax	7	1 446	1 939
Liabilities under retirement and similar benefits	16	2 257	2 134
Non-current liabilities under seized security deposits	19	4 486	8 761
Non-current liabilities under lease	21	24 871	27 489
Other non-current liabilities	17	57	153
<b>Total non-current liabilities</b>		<b>33 117</b>	<b>40 476</b>
<b>Current liabilities</b>			
Non-current loans	18	2 552	1 624
Trade payables	19	34 123	55 802
Amounts owed to recipients under contracts	20	7 066	538
Liabilities under current income tax		334	291
Current liabilities under lease	21	3 823	3 875
Other liabilities	21	11 490	10 071
Deferred income	22	290	324
<b>Total current liabilities</b>		<b>59 678</b>	<b>72 525</b>
<b>Total liabilities</b>		<b>92 795</b>	<b>113 001</b>
<b>Total equity and liabilities</b>		<b>159 780</b>	<b>205 395</b>
<b>Book value – equity assigned to the Parent Entity owners</b>		<b>64 879</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>32.36</b>	<b>44.92</b>

## Consolidated statement of profit and loss

(all amounts in PLN thousands if not stated otherwise)

	Note No.	In 2023	In 2022
Revenues from sale, including:		280 655	221 822
Revenues from sale of services	23	279 549	218 243
Revenues from sale of goods and materials	24	1 106	3 579
Cost of sale, including:		-295 819	-209 303
Cost of services sold	25	-294 863	-205 874
Cost of merchandise and materials		-956	-3 429
<b>Gross profit on sales</b>		<b>-15 164</b>	<b>12 519</b>
General and administrative expenses	25	-16 511	-16 462
Other operating income	26	7 452	7 337
Other operating expenses	27	-1 481	-820
<b>Result from operating activities</b>		<b>-25 704</b>	<b>2 574</b>
Financial income	28	1 497	2 069
Profit from the sale of all or part of shares of subsidiary		-	124
Finance expenses	29	-6 238	-3 589
Profit sharing in associated entities		-	-
<b>Before tax profit</b>		<b>-30 445</b>	<b>1 178</b>
Income tax:	30	-6 097	652
- current tax		936	1 171
- deferred tax		-7 033	-519
<b>Profit for the period</b>		<b>-24 348</b>	<b>526</b>
Profit for the period assigned to:			
Shareholders of Parent Entity		-24 483	23
Non-controlling interest		135	503
Weighted average number of ordinary shares (in pcs.)		2 005 000	2 005 000
Profit (loss) per ordinary share (in PLN per one share) assigned to owners of the Parent Entity		-12.21	0.01

## Consolidated statement of comprehensive income

	In 2023	In 2022
<b>Profit for the period</b>	<b>-24 348</b>	<b>526</b>
<b>Other comprehensive income net</b>	<b>18</b>	<b>1 049</b>
<i>Other comprehensive income that will be reclassified to profit and loss under certain conditions:</i>	-	-
<i>Other comprehensive income that will not be reclassified to profit and loss (before tax):</i>	<b>18</b>	<b>1 049</b>
Non-current assets update	-	1 220
Actuarial profit (losses) on valuation of provisions for employee benefits	28	73
Income tax on other comprehensive income	-10	-244
<b>Total comprehensive income</b>	<b>-24 330</b>	<b>1 575</b>
	<b>In 2023</b>	<b>In 2022</b>
Total comprehensive income assigned to:		
Shareholders of the Parent Entity	-24 463	992
Non-controlling interest	133	583
Weighted average number of ordinary shares (in pcs.)	2 005 000	2 005 000
Total comprehensive income per ordinary share (in PLN per one share) assigned to owners of the Parent Entity	-12.20	0.49

## 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 parent entity	Equity assigned to non-controlling interest	Total equity
<b>In 2023</b>							
<b>As at the beginning of the period after making the data comparable</b>	<b>2 355</b>	<b>-350</b>	<b>3 364</b>	<b>84 691</b>	<b>90 060</b>	<b>2 334</b>	<b>92 394</b>
Net profit of the given period	-	-	-	-24 483	-24 483	135	-24 348
<i>Other comprehensive income (net)</i>	-	-	20	-	20	-2	18
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>20</b>	<b>-24 483</b>	<b>-24 463</b>	<b>133</b>	<b>-24 330</b>
Dividend paid to non-controlling interest	-	-	-	-	-	-231	-231
Other changes – redemption of own shares of Prochem S.A.	-350	350	-	-	-	-	-
Other changes	-	-	-	-718	-718	-130	-848
<b>As at the end of the period</b>	<b>2 005</b>	<b>-</b>	<b>3 384</b>	<b>59 490</b>	<b>64 879</b>	<b>2 106</b>	<b>66 985</b>
<b>In 2022</b>							
<b>As at the beginning of the period after making the data comparable</b>	<b>2 935</b>	<b>-580</b>	<b>6 513</b>	<b>90 270</b>	<b>99 138</b>	<b>3 636</b>	<b>102 774</b>
Net profit of the given period	-	-	-	23	23	503	526
<i>Other comprehensive income (net)</i>	-	-	969	-	969	80	1 049
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>969</b>	<b>23</b>	<b>992</b>	<b>583</b>	<b>1 575</b>
Buy-back of own shares of Prochem S.A.	-580	230	-	-	-350	-	-350
Other changes	-	-	-4 118	-5 602	-9 720	-1 885	-11 605
<b>As at the end of the period</b>	<b>2 355</b>	<b>-350</b>	<b>3 364</b>	<b>84 691</b>	<b>90 060</b>	<b>2 334</b>	<b>92 394</b>

**Consolidated statement of cash flows**  
(all amounts in PLN thousands if not stated otherwise)

	In 2023	In 2022
<b>Cash flows – operating activity</b>		
Before tax profit	-30 445	1 178
Total adjustments	15 703	7 104
Share in net profit of associates	-	-
Amortization and depreciation	6 576	6 696
Interest and profit sharing (dividends)	2 554	1 507
Gain on disposal of property, plant and equipment	-61	-540
(Profit) loss on investment	-	-5 075
Change in provisions	56	-1 626
Change in inventories	-1 926	7 443
Change in receivables and other assets	21 551	3 873
Change in current liabilities except for borrowings and loans	-15 822	-28 057
Other adjustments (including change in deferred income)	2 775	22 883
Cash flows provided by (used in) operating activities	-14 742	8 282
Income tax paid	725	820
<b>Net cash provided by (used in) operating activities</b>	<b>-15 467</b>	<b>7 462</b>
<b>Cash flows – investing activity</b>		
Disposal of intangible assets and property, plant and equipment	98	613
Loans received – return of loans granted to a jointly- controlled entity	-	17 000
Interest received on loans granted to related entities	-	355
Dividends received from jointly- controlled entity	-	31 562
Proceeds from the sale of shares in a related entity	112	210
Acquisition of intangible assets and property, plant and equipment	-2 405	-1 174
Acquisition of shares in subsidiary	-111	-11 649
<b>Cash flows provided by (used in) investing activity</b>	<b>-2 306</b>	<b>36 917</b>
<b>Cash flows – financing activity</b>		
Bank loan incurred	2 112	-
Payment to owners, outflows under profit distribution	-231	-
Acquisition of own shares	-59	-12 600
Repayment of bank loans	-	-2 080
Repayment of loans incurred	-	-700
Interest and commission paid	-252	-244
Payment of liabilities under lease	-6 504	-6 269
<b>Cash flows provided by (used in) financing activity</b>	<b>-4 934</b>	<b>-21 893</b>
Total cash flows, net	-22 707	22 486
Net increase/(decrease) in cash and cash equivalents	-22 707	22 486
<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 at the end of the period</b>	<b>14 173</b>	<b>36 880</b>
<b>Including restricted cash</b>	<b>773</b>	<b>851</b>



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

### **1. Establishment of the Parent Entity and Principal Activity**

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

#### ***Information for esef***

Place of business: Warszawa (02-457), ul. Łopuszańska 95

Country of registration: Poland

Name change: was not

Business address: Warszawa (02-457), ul. Łopuszańska 95

### **2. The Management Board and Supervisory Authorities of the Issuer**

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

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

In the period from January 1st, 2023 to December 31st 2023 there was no change in the composition of the Management Board of the Company.

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

As at the date of preparation hereby separate financial statements, comprises of the following persons:

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

In the period from January 1, 2023 to December 31, 2023, there was a change in the composition of the Company's Supervisory Board. Ordinary General Meeting of Prochem S.A. by Resolution No. 24 of June 14, 2023, dismissed Mr. Andrzej Karczykowski from the position of member of the Supervisory Board. By resolution No. 25 of June 14, 2023, Mr. Paweł Bielski was appointed as a member of the Supervisory Board of the 11th joint term of office.

### 3. Employment

Average employment in 2023 was 339.64 FTEs and in 2022 361 FTEs. Level of employment in persons as at 31 December 2023 was 336 persons and as at 31 December 2022 was 369.

### 4. Description of the organization of the Capital Group with indication of entities subject to consolidation

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

#### 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% of share in capital and profit, 91.4% of votes), including 85.7% of share in capital and voting right belongs to Prochem Inwestycje subsidiary in 100%;
- Prochem Zachód Sp. z o.o. seated in Warsaw – subsidiary in (80.0%);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (91.8%), including 57.49% of share in capital and voting right belong to 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 right 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% of share and voting rights and capitals holds directly Prochem S.A., and 23.3% holds Prochem RPI Sp. z o.o. subsidiary in 100%) – value covered by a revaluation write-down – the company does not conduct business activity .

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

Predom Projektowanie Sp. z o. o. with capital of PLN 53,000. PLN by the decision of the District Court for Wrocław Fabryczna in Wrocław, VIth Commercial Division of the National Court Register was deleted from the National Court Register on September 1, 2023.

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. of own shares in the share capital for the purpose of their redemption. The maximum number of shares to be purchased is 5,494 with a total nominal value of PLN 274,700. The agreed purchase price of own shares of PKI Predom Sp. o.o. is PLN 182 per one share. The amounts allocated for the purchase of 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.

## **5. Adopted accounting principles**

### **Principles of presentation**

Consolidated financial statements of the Prochem S.A. Capital Group for the period from 1 January to 31 December 2023 and analogous period of the comparable year was prepared according to International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) endorsed by European Union (EU) and were in force as at 31 December 2023. The scope of the financial statements is consistent with the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws, item 757).

The presented consolidated financial statements of the Capital Group presents reliably and clearly the Group's financial and property position as at December 31, 2023 and comparative data as at December 31, 2022, as well as the results of this activity for the year ended December 31, 2023 and comparative data for the year ended December 31, 2022.

Consolidated financial statements of the Prochem S.A. Capital Group as at 31 December 2023 has been prepared with the assumption that business will continue as a going concern in the foreseeable future. Management boards of companies belonging to the Prochem S.A. Capital Group analyzed the circumstances described in note 41 and in their opinion they do not affect the ability of individual companies to continue as a going concern.

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

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

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

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

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

### ***Accounting estimates made***

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

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

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

### ***New standards, interpretations and changes in published IFRS their impact***

Approved by the IASB for use from 1 January 2023:

- IFRS 17 "Insurance Contracts" and amendments to IFRS 17;
- Amendments to IAS 1 "Presentation of Financial Statements" - and IFRS Board Guidance on disclosures regarding accounting policies in practice - the issue of materiality in relation to policies;
- Amendment to IAS 8 "Principles (accounting policies, changes in accounting estimates and corrections of errors" - definition of accounting estimates;
- Amendment to IAS 12 "Income Tax" - obligation to recognize deferred income tax in connection with assets and liabilities within 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 these financial statements and did not affect the accounting policy or the financial statements

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

Approved by the IASB for use from 1 January 2023:

- IFRS 17 "Insurance Contracts" and amendments to IFRS 17.
- Amendments to IFRS 17 "Insurance contracts" - first application of IFRS 17 and IFRS 9 - Comparative information.
- Amendments to IAS 1 "Presentation of Financial Statements" - and IFRS Board Guidance on disclosures regarding accounting policies in practice - the issue of materiality in relation to policies.
- Amendment to IAS 8 "Principles (accounting policies, changes in accounting estimates and corrections of errors" - definition of accounting estimates.
- Amendment to IAS 12 "Income Tax" - obligation to recognize deferred income tax in connection with assets and liabilities within a single transaction.
- Amendment to IAS 12 "Income Tax" – global minimum income tax (Pillar Two).

Approved by the IASB for use from 1 January 2024:

- IFRS 16 "Leases" lease liabilities in sale and leaseback transactions.
- Amendments to IAS 1 "Presentation of financial statements" - classification of liabilities as current or non-current.

- Amendments to IAS 7 "Cash Flow Statement" and IFRS 7 "Financial Instruments - Disclosures" - agreements for financing liabilities to suppliers.

Approved by the IASB for use from 1 January 2025:

- Amendments to IAS 21 "The effects of changes in foreign exchange rates"

The Group has not decided to early apply the Standards and amendments to standards that have been published and approved for use in the EU, but have not yet entered into force, will be implemented on the date of their adoption.

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

### **The principles of consolidation**

1. When preparing the consolidated financial statements of the Prochem Capital Group, the following procedures were applied:

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

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

2. The subsidiaries are entities controlled by the Parent Entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date of obtaining the control until the date when it expires.
3. Accounting principles applied by subsidiaries have been unified with the principles adopted by the Group.
4. Goodwill of subsidiaries represents the surplus of the purchase price of components of assets acquired by the parent company over the fair value of the net assets of the subsidiary, in proportion to the acquired share in the entity's equity. Negative goodwill of subsidiaries is the surplus of the fair value of the net assets of the subsidiary above the purchase price of components of assets borne by the parent company, in proportion to the acquired share in the equity of this entity. As at the date of acquisition of subsidiary and associated company (obtaining control), assets, equity and liabilities and contingent liabilities of a subsidiary are measured at fair value.
5. At the moment of loss of control (e.g. in the event of sale), the Group ceases to recognize assets and liabilities of the subsidiary, non-controlling interest and remaining components of the capitals related to the subsidiary. Possibly surplus or deficit arising from the loss of control is recognized in profit or loss of the current period. If the Group retains any interests in the former subsidiary, they are subsequently measured at fair value as at the date of the loss of the control.
6. Shares of non-controlling interest are disclosed at assigned value, even if it results in arising of a negative balance of non-controlling interests.
7. The Group of Prochem SA treats the transactions with the non-controlling interests as transactions with external entities.
8. Gains or losses arising from the sale of shares to non-controlling interests are recognized in equity.
9. As associated entities are considered such entities in which Prochem has between 20% and 50% of the total number of votes in the decisive bodies or otherwise may exercise substantial influence over their financial and operating policies. As the jointly-controlled entities are considered such the entities in which Prochem SA holds 50% of the total voting rights in the decisive bodies.
10. Investments in associated and jointly-controlled entities are accounted for using the equity method and are initially recognized at cost. Share in profit or loss of the associate or jointly-controlled is

recognized in profit and loss account. If the share in losses of an associate or jointly-controlled equals or exceeds interest of the Group of Prochem in this entity, the Group does not recognize further losses, unless it is obliged. Unrealized gains between the Group and the associate are eliminated to the level of the Group's interest in such entity.

11. The purchase price of shares in associated companies and in jointly-controlled entities is subject to adjustments by any changes in the fair value of the net assets, which are attributable to the value of the share held, from the moment of purchase until the date of the financial statements, as well as effects of a stated impairment.
12. At preparing the consolidated financial statements shall be done the following adjustments and exemptions:
  - In the scope of exemptions:
    1. Shares with the equity held by the parent company, at the moment of obtaining control of subsidiaries,
    2. Mutual receivables and liabilities and other settlements of a similar nature of consolidated entities,
    3. Income and expenses from mutual buying and selling operations in the capital group,
    4. Dividends accrued or paid by the subsidiaries to the parent company, and to other consolidated entities.
  - In the scope of adjustments:
    1. Gains or losses arising as a result of economic transactions between consolidated entities.

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

### **Property, plant and equipment and intangible assets**

Property, plant and equipment include non-current assets and expenditures on construction in progress which the Group intends to use in their business operations in a period longer than one year, and which will result in future economic benefits to the entity.

Expenditures on property, plant and equipment include incurred investment expenditures as well as incurred expenses on future supply of machinery, equipment and services relating to production of PPE (transferred advance payments).

PPE are initially stated at cost. Measurement after initial recognition :

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

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

Value of PPE designated to liquidation, withdrawn from use as a result of the change of technology or other reasons, is being revalued by write down. Write-down is recognized in other operating costs.

Expenditures on PPE incurred at a later date are recognized at their carrying amount when it is probable that future economic benefits associated with them will flow to the entity, and this cost could be reliably

measured. All other repair and maintenance costs of PPE are recognized in the cost of the period, in which they were incurred.

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

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

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

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

Land is not subject to depreciation.

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

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

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

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

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

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

Intangible assets are subject to the impairment tests if premises for impairment exist. The value is tested for impairment at the end of the financial year. The effects of the impairment are recognized in other operating costs.

### **Investment property**

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

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

Investment properties are also real estates under construction or their adaptation, which are to be used in the future as investment properties. Gains or losses arising from the sale / liquidation of the investment property shall be determined as the difference between proceeds from sale and the carrying amount of these assets and are recognized in the statement of profit and loss.

Investment properties are initially measured at its cost, including transaction costs. After initial recognition, investment properties are measured at fair value as defined in the fair value model and in IFRS 13 *Fair Value Measurement*. The method of valuation is obligatory to all investment properties unless some investment properties cannot be measured by this method – then, the cost approach is used until the property is sold.

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

With regard to investment properties, depreciation rates and the depreciation method are applied as for property, plant and equipment. Investment property is derecognised from the statement of financial position when it is sold or permanently withdrawn from use. Any gain or loss resulting from the derecognition of an investment property from the statement of financial position is recognized in the statement of profit or loss in the period in which such derecognition was made.

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

- commencement of owner-occupation – transfer from investment property to property, plant and equipment,
- end of owner-occupation – transfer from property, plant and equipment to investment property,
- commencement of adjustments with a view to sale – transfer from investment property to inventories,
- transfer the property to a third party for operational leasing - in the case of transfer from inventory to investment property.

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

The difference between the fair value and the carrying amount, which arose at the time of transfer to investment properties measured at fair value:

- PPE - is accounted for as a revaluation in accordance with IAS 16,
- inventories -is recognized as profit or as loss for the period,
- completion of construction or development of investment on own account – as the profit or loss for the period.

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

- condition and location,
- any restrictions on the sale or use of the asset.

The impact of individual features is to differ in depending on how these features will be taken into account by the market participants.

Fair value measurement is based on the assumption that the transaction on disposal of assets is held:  
- on the principal market for the asset,



- in case of the absence of a principal market, the most advantageous market for the asset. The most advantageous market means market that maximises the amount that would be received to sell the asset by the seller of the asset, after taking into account transaction costs and transport costs.

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

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

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

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

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

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

## **Leases**

### **The Group as the lessee**

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

- a) the right to obtain substantially all economic benefits from the use of the identified asset, and
- b) the right to direct the use of the identified asset.

If the Group has the right to exercise control over the use of an identified asset for only part of the duration of the contract, the contract shall include lease in relation to that part of the period.

Rights arising from lease, rental, and other contracts that meet the definition of lease in accordance with the requirements of IFRS 16 are recognized as rights-of-use assets within the frame of non-current assets and on the other side as liabilities under lease.

### *Initial recognition and measurement*

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

The cost of right-of-use asset includes:

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

The lease fees included in the valuation of the lease liability include:

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

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

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

### *Depreciation*

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

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

The Group has lease contracts regarding the use of :

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

The Group applies simplifications to lease contracts that have the maximum possible duration, including extension options, up to 12 months. Lease fees resulting from these contracts are accounted for as costs:

- on a straight-line basis over the duration of the contract,
- another systematic method if it better reflects the way in which the beneficiary benefits are distributed over time.

The Group does not apply general principles for recognition, valuation and presentation concluded for lease contracts, the subject of which is of low value.

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

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

### **The Group as the lessor**

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

### **Borrowing costs**

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

Capitalization of borrowing costs commences when:

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

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

### **Current assets**

#### **Inventory**

item of Inventory includes - materials, goods, semi-finished products, and work-in-process.

Inventories are measured initially at cost. As at the balance sheet day the measurement of goods and materials is done with the prudence accounting principle, that is the categories are valued at the lower of following - purchase price, the production cost or the net realizable value.

Stocks of slowly-rotating goods and materials are covered among others by the write-downs created according to individual evaluation of the realizable price as at the balance sheet day.

Flows of stocks are done at using the FIFO method - "first-in", "first-out".

Write-downs concerning inventory and their reversals are recognized in the other operating expenses and revenues from operating activities.

#### **Loans granted**

arise when the entity is transferring financial means directly to the debtor, and is not intending to enter the receivable into trade. They are classified as current assets, provided the date of 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, with the fair value of trade receivables as at the moment of initial recognition being the nominal value resulting from the issued sales invoices, and then they are measured at amortized cost, using the effective interest rate, taking into account impairment losses. Impairment allowance of receivables is identified when there is objective evidence that the entity will not receive all amounts due according to the original terms of receivables and it is recognized in other operating expenses. Impairment allowance is established according to IFRS 9 Financial instruments.

#### **Cash and cash equivalents**

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

### **Non-current assets held-for sale**

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

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

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

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

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

### **Measurement of assets and financial liabilities**

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

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 assets*

#### **IFRS 9**

Upon initial recognition, financial assets are classified into one of three categories:

- financial assets measured at amortized cost;
- financial assets at fair value through profit or loss; or
- financial assets measured at fair value through other comprehensive income.

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

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

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rise 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 objective is to hold assets in order both to collect contractual cash flows as well as their selling,
- contractual terms relating to the financial asset give rise 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.

<b>Classes of financial instruments</b>	<b>Classification under IFRS 9</b>
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 any changes in the classification of financial liabilities.

According to IFRS 9, which introduces an approach to estimating the impairment of financial assets based on the impairment model. This model is based on the calculation of expected losses. To estimate expected credit losses in relation to trade receivables, the Group applied the simplified method permitted by IFRS 9. For the purpose of estimating the expected credit loss, the Group uses the reserve ratio, which takes into account historical data.

Taking into account the above methodology of calculating expected credit losses, the value of receivables may also be updated individually if, according to the Management Board's individual assessment, the risk that they will not be collected is significant, in particular with regard to:

- receivables from contractors in liquidation or bankruptcy
- receivables questioned by the debtors and the payment of which the debtor is in arrears, and according to the assessment of the debtor's property and financial situation, the repayment of the contractual receivable is fraught with significant risk.

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

### **Measurement of financial assets at fair value**

The Group measures financial assets measured at fair value through the profit and loss, including derivatives being assets and available-for-sale financial assets, without reduction by the transaction costs which can be incurred in relations to the sale or using other way of the disposal of assets.

Fair value of financial assets is measured as follows:

- for instruments quoted on the active market based on the last quotations available at the end of the reporting period,
- for debt instruments unquoted on the active market based on the discounted cash flows analysis,
- for futures derivatives (forward) and swap contracts based on discounted cash flows analysis.

Investments in equity instruments (shares), that do not have quoted market price on active market and which fair value cannot be measured credibly, are valued at cost by the Group, i.e. at purchase price less possible impairment losses.

The Group does not apply hedge accounting.

Profit or loss arising from measurement of the financial asset classified as measured at fair value through profit or loss are recognized in profit or loss.

Profit or loss arising from measurement of the financial asset classified as available-for-sale is recognized in financial result. For debt financial instruments, interest calculated using the effective interest rate method is recognized in financial result.

#### **Measurement of financial assets at amortized cost**

The Group measures loans and other receivables, including trade receivables and held-to-maturity investments according to amortized cost and using the effective interest rate.

#### **Measurement of financial liabilities at fair value**

The Group measures financial liabilities classified as measured at fair value through profit or loss (in particular including derivatives which are not hedging instruments), as at the last day of the reporting period or any time after the initial recognition at fair value. Irrespective of the nature and purpose of the acquisition, the Group, at the initial recognition, classifies selected financial liabilities as measured at fair value through financial result if it leads to obtaining more useful information. Fair value of the contracted liability is determined based on the current sale price for instruments quoted on an active market.

In the absence of an active market, fair value of financial liabilities is determined by:

- the use of recent market transactions conducted directly between the well informed, willing parties, or
- reference to the current fair value of another instrument that is almost the same, or
- discounted cash flows analysis.

#### **Measurement of other financial liabilities at amortized cost**

The Group measures other financial liabilities at amortized cost using the effective interest rate method. Other financial liabilities include trade liabilities, lease liabilities, accruals, investment liabilities and other financial liabilities.

Financial guarantee agreements, i.e. agreements obliging the Group (issuer) to make specified payments to compensate the holder for the loss it will incur due to failure by a specified debtor to make payments on the due date in accordance with the original or changed terms of a debt instrument, not classified as liabilities measured at fair value through profit or loss, are measured at the higher value:

- the amount of the allowance for expected credit losses,
- the initial value less, where applicable, the cumulative amount of income recognized in accordance with IFRS 15.

#### **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 Group, 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 Group 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 Group has no other retirement benefit plans.

Pursuant to the Remuneration Regulations applicable in the Companies from the Capital Group, employees are entitled to receive one-off retirement and pension benefits in the event of termination of employment in connection with retirement or pension. The above-mentioned severance payments are benefits after the period of employment paid when the employee no longer performs work, therefore the expenses related to them are spread over the entire period of employment of the employee by making current allowances for provisions for benefits. In some companies of the Group, there are jubilee bonuses paid at five-year intervals after the employees have reached the required length of service. The aforementioned gratifications are other long-term benefits and the related expenses are also spread over time from the moment of employment until the required number of years of service is reached. The current amounts of provisions and write-downs are determined by an external actuarial office individually for each employee in accordance with the "projected entitlement for person" methodology. The accrued provisions constitute the current expected value of future long-term liabilities of the Company due to severance payments less the current expected values of future write-downs, which will be made until the employee is entitled to benefit from them.

Actuarial assumptions used for calculations are determined based on the Group'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 Group 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 from the materialization in the reporting period of phenomena reflected in the actuarial assumptions adopted at the beginning of the period and as a result of updating the assumptions made at the end of the period, recognized in other comprehensive income, if they relate to post-employment benefits (severance pay) and in profits and losses, if they relate to other long-term benefits (jubilee awards),
- 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 among others on buildings, constructions, and land measured at fair value,
  - capital arisen from the foreign exchange differences – from translation of the foreign operations of Representation Office,
  - actuarial profits and losses resulting from changes in actuarial assumptions (including due to

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

### **Revenues from sales**

include in particular revenue from execution of contracts of construction services (general contracting), assembly of electrical installations, design and engineering services and rental of office space and procurement. 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.

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.

### **Income tax**

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

Current tax liabilities are established on the basis of current tax regulations and the established taxable income. Current tax liabilities for the current period and previous periods are included as the liability in the amount, in which it wasn't paid.

Provision under deferred income tax is recognized using the liability method, under transitional differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that are actually applicable as at the balance sheet date. Transitional differences relate to different measurement of assets and liabilities for tax purposes and balance sheet purposes.

Income tax assets are recognized when is probable that in future the taxable income will be achieved that will enable the use of transitional differences. Deferred tax assets are recognized separately from tax losses, which could be deductible in the next years.

### **Transactions in foreign currencies**

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

### **Functional currency and presentation currency of financial statements**

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



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

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

## 6. Explanatory Notes to consolidated financial statements as at and for the year ended December 31, 2023

### Note 1 – Property, Plant and Equipment

	31 December 2023	31 December 2022
Property, plant and equipment, including:	13 365	14 769
- land	1 881	1 914
- buildings, premises and civil engineering objects	9 278	10 068
- machinery and equipment	843	1 287
- vehicles	1 027	1 009
-other PPE	336	491
Construction under progress	1 988	-
<b>Total property, plant and equipment</b>	<b>15 353</b>	<b>14 769</b>

Property, plant and equipment – ownership structure	31 December 2023	31 December 2022
a) own	4 823	5 435
b) used under rental, lease or other agreement, including:	10 530	9 334
- lease	9 530	8 301
- value of the right of perpetual usufruct	1 000	1 033
<b>Total balance sheet property, plant and equipment</b>	<b>15 353</b>	<b>14 769</b>

The Group, pursuant to an agreement dated 23 July 2004 leases property consisting of 3 buildings with an 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. The fair value as at 31 December 2023 was set based on valuation 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 the current experience in such valuations, which are carried out in locations where there are assets of the Group.

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

Method of valuation	Key unobservable input data	Relation between key unobservable input data and fair value
<i>The comparative approach using the method of the adjusted average price:</i> The model is based on determining of the average transaction price for 1 m <sup>2</sup> of the area on the basis of the representative sample of the transaction concluded. The average price was corrected for weights of the market features: the attractiveness of the location and the neighbourhood, area and shape of the plot, destiny, legal status of a land, access to the plot..	<ul style="list-style-type: none"> <li>• The average transaction price per 1 m<sup>2</sup></li> <li>• Attractiveness of the location and neighbourhood.</li> <li>• Area and shape of the plot.</li> <li>• Designation.</li> <li>• Legal status.</li> <li>• Access to the plot.</li> </ul>	The estimated fair value of real estate would be increased (or would be reduced) if: <ul style="list-style-type: none"> <li>• the average transaction price per m<sup>2</sup> was higher (lower)</li> </ul>
<i>Discounted cash flows:</i> The model of measurement is based on the presented value of future net cash flows that will be generated from the real estate taking into account: the level of leased space. The expected net cash flows are discounted with discount rates taking into account the risk. Other factors considered in the adopted average rent per square meter are: attractiveness of the location, technical condition of building, the standard and the functionality of the building, the possibilities of the access, and parking spaces.	<ul style="list-style-type: none"> <li>• Level of space lease: reflecting the status of the currently leased space.</li> <li>• Adjusted for the risk of discount rate: 6.646%-6.896%, 6.98%.</li> </ul>	The estimated fair value of real estate would be increased (or would be reduced) if : <ul style="list-style-type: none"> <li>• Level of leased space was higher (was lower);</li> <li>• Discount rates adjusted for the risk were lower (were higher).</li> </ul>

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

Details concerning land, buildings and constructions, as well as information about the hierarchy of fair values as at 31 December 2023.

Group	Fair value as at December 31, 2023 (in PLN thousands)	Fair value as at December 31, 2022 (in PLN thousands)
	Level 3	Level 3
Land, including the right of perpetual usufruct	1 881	1 914
Buildings and constructions	9 278	10 068
<b>Total</b>	<b>11 159</b>	<b>11 982</b>

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

## Change in PPE – in 2023

	land, including the right of perpetual usufruct of land	buildings, premises and civil engineerin g objects	machinery and equipment	vehicles	other PPE	construc tion under progress	Total PPE
<b>Gross value</b>							
<b>As at January 1 2023</b>	<b>2 377</b>	<b>21 260</b>	<b>6 101</b>	<b>3 005</b>	<b>3 146</b>	<b>-</b>	<b>35 889</b>
Increase (due to)	-	-	176	562	112	1 988	2 838
- acquisition of non-current assets	-	-	176	562	112	1 988	2 838
Decrease (due to)	18	-	-499	-626	-385	-	-1 492
- disposal of non-current assets	-	-	-10	-301	-73	-	-384
- liquidation of non-current assets	-	-	-359	-	-30	-	-389
- updating of non-current assets	-	-	-	12	-	-	12
- changes – disposal of subsidiary	-	-	-130	-337	-275	-	-742
- changes	18	-	-	-	-7	-	11
<b>As at December 31, 2023</b>	<b>2 395</b>	<b>21 260</b>	<b>5 778</b>	<b>2 941</b>	<b>2 873</b>	<b>1 988</b>	<b>37 235</b>
<b>Depreciation and impairment</b>							
<b>As at January 1, 2023 - accumulated depreciation</b>	<b>463</b>	<b>11 192</b>	<b>4 814</b>	<b>1 996</b>	<b>2 655</b>	<b>-</b>	<b>21 120</b>
Depreciation for the period (under)	33	808	121	-82	-118	-	762
- increase (depreciation accrued)	33	808	599	402	154	-	1 966
- decrease under disposal of non-current assets	-	-	-10	-270	-97	-	-377
- decrease under liquidation of non-current assets	-	-	-353	-	-6	-	-359
- change – disposal of subsidiary	-	-	-115	-214	-162	-	-491
- changes	-	-	-	-	-7	-	-7
<b>As at December 31, 2022 - accumulated depreciation</b>	<b>496</b>	<b>12 000</b>	<b>4 935</b>	<b>1 914</b>	<b>2 537</b>	<b>-</b>	<b>21 882</b>
<b>Impairment of PPE</b>							
<b>Net value of PPE as at 31 December 2023</b>	<b>1 899</b>	<b>9 260</b>	<b>843</b>	<b>1 027</b>	<b>336</b>	<b>1 988</b>	<b>15 353</b>

## Comparative data

### Change in PPE – in 2022

	land, including the right of perpetual usufruct of land	buildings, premises and civil engineerin g objects	machinery and equipment	vehicles	other PPE	construc tion under progress	Total PPE
<b>Gross value</b>							
<b>As at January 1 2022</b>	<b>2 357</b>	<b>21 427</b>	<b>5 341</b>	<b>3 444</b>	<b>3 866</b>	<b>0</b>	<b>36 435</b>
Increase (due to)	379	843	1 011	92	223	54	2 602
- acquisition of non-current assets			1 011	92	223	54	1 380
- re-measurement of non-current assets	379	843	-	-	-	-	1 222
Decrease (due to)	-359	-1 010	-251	-531	-943	-54	-3 148
- disposal of non-current assets	-359	-1 010	-41	-68	-726	-	-2 204
- liquidation of non-current assets	-	-	-19	-86	-49	-	-154
- changes – disposal of subsidiary	-	-	-191	-377	-171	-	-739
- changes	-	-	-	-	3	-54	-51
<b>As at December 31, 2022</b>	<b>2 377</b>	<b>21 260</b>	<b>6 101</b>	<b>3 005</b>	<b>3 146</b>	<b>-</b>	<b>35 889</b>
<b>Depreciation and impairment</b>							
<b>As at January 1, 2022 - accumulated depreciation</b>	<b>433</b>	<b>10 461</b>	<b>4 475</b>	<b>2 031</b>	<b>3 278</b>	<b>-</b>	<b>20 678</b>
Depreciation for the period (under)	30	753	339	-35	-623	-	464
- increase (depreciation accrued)	30	791	562	492	185	-	2 060
- decrease under disposal of non-current assets	-	-60	-41	-68	-652	-	-821
- decrease under liquidation of non-current assets	-	-	-19	-86	-45	-	-150
- change – disposal of subsidiary	-	-	-165	-371	-110	-	-646
- changes	-	-	2	-2	-1	-	-1
<b>As at December 31, 2022 - accumulated depreciation</b>	<b>463</b>	<b>11 192</b>	<b>4 814</b>	<b>1 996</b>	<b>2 655</b>	<b>-</b>	<b>21 120</b>
<b>Impairment of PPE</b>							
<b>Net value of PPE as at 31 December 2022</b>	<b>1 914</b>	<b>10 068</b>	<b>1 287</b>	<b>1 009</b>	<b>491</b>	<b>-</b>	<b>14 769</b>

### Note 2 - Intangible assets

	31 December 2023	31 December 2022
Acquired concessions, patents, licenses and similar assets including computer software	38	81
<b>Total intangible assets</b>	<b>38</b>	<b>81</b>
Intangible assets – ownership structure		
own	38	81
<b>Total intangible assets</b>	<b>38</b>	<b>81</b>

## Changes in intangible assets in 2023

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
<b>Gross value</b>		
<b>As at 1 January 2023</b>	<b>2 805</b>	<b>2 805</b>
Increase (due to)	7	7
- acquisition of non-current assets	7	7
Decrease (under)	<b>-38</b>	<b>-38</b>
- liquidation	-18	-18
- other changes including disposal of subsidiary	-20	-20
<b>As at 31 December 2023</b>	<b>2 774</b>	<b>2 774</b>
<b>Amortization and impairment</b>		
<b>As at 1 January 2023 – amortization accumulated</b>	<b>2 724</b>	<b>2 724</b>
Amortization for the period (under)	<b>12</b>	<b>12</b>
- increase (amortization accrued)	48	48
- decrease due to liquidation	-16	-16
- other changes	-20	-20
<b>As at 31 December 2023 - accumulated amortization</b>	<b>2 736</b>	<b>2 736</b>
<b>Net intangible assets as at 31 December 2023</b>	<b>38</b>	<b>38</b>

## Comparative data

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
<b>Gross value</b>		
<b>As at 1 January 2022</b>	<b>3 220</b>	<b>3 220</b>
Increase (due to)	<b>32</b>	<b>32</b>
- acquisition of non-current assets	32	32
Decrease (under)	<b>-447</b>	<b>-447</b>
- liquidation	-447	-447
<b>As at 31 December 2022</b>	<b>2 805</b>	<b>2 805</b>
<b>Amortization and impairment</b>		
<b>As at 1 January 2022 – amortization accumulated</b>	<b>3 131</b>	<b>3 131</b>
Amortization for the period (under)	<b>-407</b>	<b>-407</b>
- increase (amortization accrued)	39	39
- decrease due to liquidation	-446	-446
<b>As at 31 December 2022 - accumulated amortization</b>	<b>2 724</b>	<b>2 724</b>
<b>Net intangible assets as at 31 December 2022</b>	<b>81</b>	<b>81</b>

### Note 3 – Investment Property

	31 December 2023	31 December 2022
Buildings and construction	7 813	8 152
Value of the land	4 406	4 406
<b>Total investment property</b>	<b>12 219</b>	<b>12 558</b>

Investment property by titles	Change in investment property for the period from 1 January 2023 to 31 December 2023	Change in investment property for the period from 1 January 2022 to 31 December 2022
<b>Investment property - land</b>		
As at opening balance sheet:	4 406	2 382
- increase under valuation 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
- changes under:		
a) decrease	-	-42
b) increase	41	-
c) decrease - depreciation accrued	-380	-22
<b>Total change</b>	<b>-339</b>	<b>-64</b>
<b>As at closing balance sheet</b>	<b>7 813</b>	<b>8 152</b>
Write-down of investment property	-	-
<b>Total investment property</b>	<b>12 219</b>	<b>12 558</b>

Fair value as at 31 December 2023 was determined based on a valuation prepared by independent appraisers, not related to the Group. Appraisers have the appropriate qualifications to conduct valuations of investment properties, as well as current experience in such valuations made at locations where the Group's assets are located.

As at 31 December 2023 this value was confirmed by independent appraisers as at December 31, 2022

Method of measurement	Key, unobservable inputs for the properties being compared	Relation between key unobservable input data and fair value
<i>The comparative approach using the method of the adjusted average price:</i> The model is based on determining of the average transaction price for 1 m <sup>2</sup> of the area on the basis of the representative sample of the transactions concluded. The average price was corrected for weights of the market features: the attractiveness of the location and the neighbourhood, area and shape of the plot, destiny, legal status of a land, access to the plot.	<ul style="list-style-type: none"> <li>• The average transaction price per 1 m<sup>2</sup> for the properties being compared</li> <li>• Attractiveness of the location and neighbourhood..</li> <li>• Area and shape of the plot.</li> <li>• Standard and functionality of rooms.</li> <li>• Technical condition of the building.</li> <li>• Legal status.</li> <li>• Access do the plot.</li> </ul>	<p>The estimated fair value of real estate would be increased (or would be reduced) if:</p> <ul style="list-style-type: none"> <li>• the average transaction price per m<sup>2</sup> was higher (lower).</li> </ul>
<i>Discounted cash flows:</i> The model of measurement is based on the presented value of future net cash flows that will be generated from the real estate taking into account: the level of leased space and rent-free periods. The expected net cash flows are discounted with discount rates taking into account the risk. Other factors	<ul style="list-style-type: none"> <li>• Level of space lease : reflecting the status of the currently leased space.</li> <li>• Adjusted for the risk of discount rate: 6.3 %, .7%, 6.8%,</li> </ul>	<p>The estimated fair value of real estate would be increased (or would be reduced) if:</p> <ul style="list-style-type: none"> <li>• Level of leased space was higher (was lower);</li> <li>• Discount rates adjusted for the risk were lower (were</li> </ul>

considered in the adopted average rent per square meter are: attractiveness of the location, technical condition of building, the standard and the functionality of the building, the possibilities of the access, and parking spaces.		higher).
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There has been no change in the valuation techniques during the year.

Details concerning investment property and information about the hierarchy of fair values as at 31 December 31, 2023.

Group	Fair value (in PLN thousands)	
	31 December 2023	31 December 2022
	Level 3	Level 3
Land, including the right of perpetual usufruct	4 406	4 406
Buildings and constructions	7 813	8 152
<b>Total</b>	<b>12 219</b>	<b>12 558</b>

There were no changes between levels 1, 2 and 3 during the year.

#### Note 4 – Right-of-use Assets

Description	Buildings and constructions	Machinery 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 value - concluding new contracts	-	-	363	<b>363</b>
Increase in gross value – updating of the value of contracts concluded	198	293	-3	<b>488</b>
Decrease in value – ending of contract	-	-338	-315	<b>-653</b>
<b>Total</b>	<b>41 524</b>	<b>333</b>	<b>3 891</b>	<b>45 748</b>
<b>Increase (+) /decrease (-)</b>				
Depreciation – as at opening balance sheet	<b>-13 519</b>	<b>-337</b>	<b>-2 691</b>	<b>-16 547</b>
Depreciation accrued	-3 364	-48	-738	<b>-4 150</b>
Decrease – ending of contract	-	337	305	<b>642</b>
<b>Total</b>	<b>-16 883</b>	<b>-48</b>	<b>-3 124</b>	<b>-20 055</b>
<b>Total as at 31.12.2023</b>				
Gross book value	41 524	333	3 891	<b>45 748</b>
Accumulated depreciation	-16 883	-48	-3 124	<b>-20 055</b>
<b>Book value net as at 31.12.2023</b>	<b>24 641</b>	<b>285</b>	<b>767</b>	<b>25 693</b>



## Comparative data

Description	Buildings and constructions	Machinery and equipment	Vehicles	Total
<b>Gross book value</b>	32 628	378	3 826	<b>36 832</b>
Increase in value - concluding new contracts	-	-	380	<b>380</b>
Increase in gross value – updating of the value of contracts concluded	3 698	-	175	<b>8 873</b>
Decrease in value – ending of contract	-	-	-535	<b>-535</b>
Write-downs	-	-	-	-
<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	<b>-12 410</b>
Depreciation accrued	-3 535	-55	-959	<b>-4 549</b>
Decrease – ending of contract	-	-	412	<b>412</b>
Write-downs	-	-	-	-
<b>Total</b>	<b>-13 519</b>	<b>-337</b>	<b>-2 691</b>	<b>-16 547</b>
<b>Total as at 31.12.2022</b>				-
Gross book value	41 326	378	3 826	<b>45 550</b>
Accumulated depreciation	-13 519	-337	-2691	<b>-16 547</b>
Write-downs	-	-	-	-
<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 5 - Shares in Other Entities

Shares	31 December 2023	31 December 2022
In other entities	830	830
Shares, net value	830	830
Write-downs of shares	6	6
<b>Shares, gross value</b>	<b>836</b>	<b>836</b>

Change in shares	31 December 2023	31 December 2022
a) as at the beginning of the period	830	830
b) as at the end of the period	830	830

### Shares in other entities as at 31.12.2023

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

## Note 6 - Shares in Entities Valued Using the Equity Method

Shares in jointly-controlled entities and in associated entities	31 December 2023	31 December 2022
- Shares – net value	0	0
- write-downs of shares	1 011	1 011
<b>Shares, gross value</b>	<b>1 011</b>	<b>1 011</b>

Change in shares in jointly-controlled entities and in associated entities	31 December 2023	31 December 2022
a) as at the beginning of the period	0	39 139
- shares at cost	-	39 139
b) increase (under)	-	4 979
- share in the current year result	-	4 979
c) decrease (under)	-	-44 118
- dividend paid	-	-31 562
- change of the status of the company from an associate to a subsidiary	-	-12 556
<b>d) as at the end of the period, net</b>	<b>0</b>	<b>0</b>
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>

Change in write-downs of shares in jointly-controlled entities and in associated entities	31 December 2023	31 December 2022
As at the beginning of the period	1 011	1 011
- decrease – use of provisions	-	-
<b>As at the end of the period</b>	<b>1 011</b>	<b>1 011</b>

## Shares in subsidiaries covered by full consolidation - as at 31 December 2023

Item No.	a	b	c	d	e	f	g	h	i	j	K
	Name of the company and its legal form	Registered office	Scope of company's activities	Type of relationship (subsidiary, jointly-controlled, associated, details of direct and indirect relationship)	Consolidation method applied/valuation using the equity method, or an indication that the entity is not subject to consolidation/valuation using the equity method i	Date of obtaining control / jointly / a significant influence	Value of shares at cost	Total revaluation adjustments	Carrying value of shares	Percentage of share capital held (directly and indirectly)	Participation in the total number of votes at the general meeting (directly and indirectly)
1	PROCHEM INWESTYCJE Sp. z o. o.	Warsaw	Consultancy on business and management	Subsidiary	full	22.06.1992	2 999	-	2 999	100.0%	100.0%
2	PKI.PREDOM Sp. z o.o.	Wrocław	Construction designing, urban planning, process engineering	Indirect subsidiary (company Prochem Inwestycje sp. z o. o. holds 85.7% of capital)	full	19.07.2002	143	-	143	91.4%	91.4%
3	PROCHEM ZACHÓD Sp. z o.o.	Warsaw	Marketing activities, construction work and design services, commercial activity and forwarding	Subsidiary	full	18.03.1998	1 061	-	1 061	80.0%	80.0%
4	ELEKTROMONTAŻ KRAKÓW S.A.	Kraków	Assembly of electrical installations and equipment	Indirect subsidiary (company Prochem Inwestycje sp. z o. o. holds 57.49% of shares)	full	10.12.2001	1 243	-	1 243	92.0%	92.0%
5	PROCHEM RPI S.A.	Warsaw	Developer's activity	subsidiary company Prochem Inwestycje sp. z o. o. holds 3.33% of shares)	full	08.04.1998	493	-	493	100.0%	100.0%
6	IRYDION sp. z o.o.	Warsaw	Real estate rental on own account	Subsidiary	full (change of the shareholding structure in the company from a jointly controlled company to a subsidiary as of December 21, 2022)	21.12.2022	15 659	-	15 659	100.0%	100.0%

**Shares in subsidiaries – continuation**

Item No.	a Name of the company	b Entity's equity, including:								c Entity's liabilities and provisions to liabilities, including:			d Entity's trade and other receivables, including:		e Total entity's assets	f Total sales revenue	
		Share capital	Own shares (negative value)	revaluation reserve	Retained earnings, including:			Net profit write-off during the financial year	Non-current	current	Non-current	current					
					profit (loss) brought forward	Net profit (loss)											
1	PROCHEM INWESTYCJE Sp. z o.o.	11 323	3 000	-	-	8 323	-20	3 437		16 141	14 140	2 001	1 135	-	1 135	27 464	4 613
2	PKI.PREDOM Sp. z o.o.	926	600	-268	-	594	-	-249		5 524	1 714	3 810	1 406	44	1 362	6 450	6 290
3	PROCHEM ZACHÓD Sp. z o.o.	2 113	1 600	-	-	513	-	74		7	-	7	1	-	1	2 120	-
4	ELEKTROMONTAŻ KRAKÓW S.A.	19 979	728	-	4 160	15 090	-	1 761		17 738	2 670	15 068	18 100	-	18 100	37 717	58 374
5	PROCHEM RPI Sp. z o.o.	3 642	600	-	-	3 042	-	-71		7 271	6 257	1 014	217	-	217	10 913	1 261
6	IRYDION Sp. z o.o.	18 995	9 000	-	-	9 995	-	-1 200		29	-	29	449	445	4	19 024	-

## Note 7 - Settlement of Deferred Income Tax

### - deferred tax assets

Change in deferred tax assets	31 December 2023	31 December 2022
<b>1. Deferred tax assets as at the beginning of the period, recognized in financial result</b>	<b>10 495</b>	<b>5 193</b>
<b>a) recognized in financial result</b>	<b>10 381</b>	<b>5 067</b>
- provisions for costs	817	967
- write-down of receivables	89	11
- unpaid remuneration under contracts of mandate and specific task contracts	-	29
- deferred income	1 423	1 131
- provision for retirement benefit	401	399
- provision for holiday benefits	343	340
- unpaid employee benefits	-79	5
- discount of cash security deposit in the bank	9	-
- tax loss	1 115	127
- surplus of costs incurred above margin	6 053	1 883
- other, including exchange differences	210	175
<b>b) recognized in equity</b>	<b>114</b>	<b>126</b>
- provision for retirement benefit	114	126
<b>2. Increase</b>	<b>12 856</b>	<b>9 839</b>
<b>a) recognized in financial result</b>	<b>12 852</b>	<b>9 839</b>
- provision to costs	1 659	985
- write-down of receivables	55	83
- unpaid remuneration under contracts of mandate and specific task contracts	44	-
- deferred income	2 280	1 392
- interest on loan	45	-
- provision for retirement benefits	23	20
- provision for holiday benefits	52	60
- discount of cash security deposit in the bank	47	-
- discount of deposit for statutory warranty	107	49
- unpaid employee benefits	35	102
- tax loss	5 570	1 059
- the difference between balance sheet and tax depreciation	18	-
- surplus of costs incurred above margin	2 781	6 053
- other, including exchange differences	136	36
<b>b) recognized in equity due to negative temporary differences (under)</b>	<b>4</b>	<b>-</b>
- provision for retirement benefit	4	-

<b>3. Decrease</b>	<b>8 528</b>	<b>4 537</b>
<b>a) recognized in financial result</b>	<b>8 518</b>	<b>4 525</b>
- provision to costs	1 181	1 135
- write-down of receivables	44	5
- paid remuneration under contracts of mandate and specific task contracts	-	29
- deferred income	1 093	1 100
- provision for retirement benefits	14	18
- provision for holiday benefits	92	57
- unpaid employee benefits	7	186
- tax loss	3	71
- discount of cash security deposit in the bank	18	40
- surplus of costs incurred above margin	6 053	1 883
- other, including exchange differences	13	1
<b>b) recognized in equity due to negative temporary differences (under)</b>	<b>10</b>	<b>12</b>
- provision for retirement benefits	10	12
	<b>14 823</b>	<b>10 495</b>
<b>4. Total deferred tax assets at the end of period, including:</b>		
<b>a) recognized in financial result</b>	<b>14 715</b>	<b>10 381</b>
- provision to costs	1 295	817
- write-down of receivables	100	89
- unpaid remuneration under contracts of mandate and specific task contracts	44	-
- deferred income	2 610	1 423
- interest on loans	45	-
- provision for retirement benefit	410	401
- provision for holiday benefits	303	343
- discount of deposit for statutory warranty	107	-
- unpaid employee benefits	-51	-79
- tax loss	6 682	1 115
- discount of cash security deposit in the bank	38	9
- the difference between balance sheet and tax depreciation	18	-
- surplus of costs incurred above margin	2 781	6 053
- other, including exchange differences	333	210
<b>b) recognized in equity due to negative temporary differences (under)</b>	<b>108</b>	<b>114</b>
- provision for retirement benefit	108	114

*- provision under deferred income tax*

Change in provision for deferred income tax	31 December 2023	31 December 2022
<b>1. Provisions for deferred income tax as at the beginning of the period, including:</b>	<b>10 338</b>	<b>6 590</b>
<b>a) recognized in financial result</b>	<b>10 212</b>	<b>5 085</b>
- interest accrued on loan	81	122
- updating of current financial assets	119	-
- updating of non-current financial assets	136	136
- discounted cash flow expenses (cash deposits)	40	-
- accrued income from uncompleted service	5 668	2 147
- the difference between the operating lease installment and the depreciation of leased non-current assets recognized as costs	1	-
- updating of non-financial investments	3 360	1 323
- surplus of the balance sheet depreciation over tax depreciation	1 094	1 094
- income under discounted liabilities	247	244
- margin on estimated revenues	29	-
- other	-563	19
<b>b) recognized in equity</b>	<b>126</b>	<b>1 505</b>
- re-measurement of PPE at fair value	126	1 505
<b>2. Increase</b>	<b>5 322</b>	<b>8 254</b>
<b>a) recognized in financial result of the period under positive temporary differences</b>	<b>5 322</b>	<b>8 254</b>
- interest accrued on loan	191	56
- updating of current financial assets	-	119
- discounted cash flow expenses (cash deposits)	-	40
- discount of statutory warranty deposit	69	-
- accrued income from uncompleted service	5 004	5 907
- the difference between the operating lease installment and the depreciation of leased non-current assets recognized as costs	-	1
- updating of non-financial investments	16	2 038
- income under discounted liabilities	-	64
- margin on estimated revenues	18	29
- other	24	-
<b>b) recognized in equity</b>	<b>-</b>	<b>-</b>
- re-measurement of PPE at fair value	-	-
<b>3. Decrease</b>	<b>8 015</b>	<b>4 506</b>
<b>a) recognized in financial result of the period under positive temporary differences</b>	<b>7 999</b>	<b>3 127</b>
- interest on loan paid	150	97
- updating of non-current financial assets	119	-
- discounted cash flow expenses (cash deposits)	40	-
- accrued income from uncompleted service	7 203	2 386
- the difference between the operating lease installment and the depreciation of leased non-current assets recognized as costs	1	-
- use of revaluation of non-financial investments	5	1
- surplus of the balance sheet depreciation over tax depreciation	234	-
- income under discounted liabilities	247	61
- other	-	582

<b>b) recognized in equity</b>	<b>16</b>	<b>1 379</b>
- re-measurement of PPE at fair value	16	1 379
<b>4. Total deferred tax liability at the end of the period</b>	<b>7 645</b>	<b>10 338</b>
<hr/>		
<b>a) recognized in financial result</b>	<b>7 535</b>	<b>10 212</b>
- interest accrued on loan	122	81
- updating of current financial assets	-	119
- updating of non-current financial assets	136	136
- discounted cash flow expenses (cash deposits)	-	40
- discount of statutory warranty deposit	69	-
- accrued income from uncompleted service	3 469	5 668
- the difference between the operating lease installment and the depreciation of leased non-current assets recognized as costs	-	1
- updating of non-financial investments	3 371	3 360
- surplus of the balance sheet depreciation over tax depreciation	860	1 094
- income under discounted liabilities	-	247
- margin on re-estimated revenues	47	29
- other	-539	-563
<b>b) recognized in equity</b>	<b>110</b>	<b>126</b>
- re-measurement of PPE at fair value	110	126

	<b>31 December 2023</b>	<b>31 December 2022</b>
Deferred tax assets	14 823	10 495
Provision under deferred tax assets	-7 645	-10 338
<b>Assets/(Provisions) to deferred income tax</b>	<b>7 178</b>	<b>157</b>

***Presentation in the statement of financial position:***

	<b>31 December 2023</b>	<b>31 December 2022</b>
Deferred tax assets	8 624	2 096
Provision to deferred tax	-1 446	-1 939
<b>Assets/(Provisions) to deferred income tax</b>	<b>7 178</b>	<b>157</b>

**Note 8 – Other Non-current Financial Assets**

<b>Other financial assets</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
a) other financial assets – security deposits securing the bank guarantee granted	4 969	-
<b>Total other non-current financial assets</b>	<b>4 969</b>	<b>-</b>

**Note 9– Inventories**

<b>Inventories</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
Materials	2 762	936
<b>Total inventories</b>	<b>2 762</b>	<b>936</b>
Write-down of inventories	557	557



## Note 10 - Trade and Other Receivables

Trade and other receivables	31 December 2023	31 December 2022
Trade receivables	41 140	53 027
Write-down of trade receivables	5 372	4 728
<b>Trade receivables net, including</b>	<b>35 768</b>	<b>48 299</b>
- with repayment period up to 12 months	31 953	43 617
- with repayment period more than 12 months	3 725	4 682
<b>Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits</b>	<b>243</b>	-
Other receivables	1 712	3 212
Write-down of other receivables	51	-
<b>Other receivables net</b>	<b>1 661</b>	<b>3 212</b>
<b>Total receivables</b>	<b>37 672</b>	<b>51 511</b>

For the purpose of estimating the expected credit loss, a provision matrix was used, which was developed based on observations of historical aging and repayment levels. The Company conducted an impairment test of assets - in the trade receivables item. As a result of the test, the expected credit losses were estimated and it was found that they do not have a significant impact on the presented value of receivables.

For other classes of financial assets and liabilities, the fair value equals the book value and as at balance sheet date 31.12.2023 amounts to PLN 37 672 thousand and as 31.12.2022 PLN 51 511 thousand.

Change in write-down of trade and other receivables	31 December 2023	31 December 2022
<b>As at the beginning of the period</b>	<b>4 728</b>	<b>4 261</b>
a) increase (under)	740	497
- provision to receivables	612	497
- other	128	-
b) decrease (under)	45	30
- resolving of write-down of receivables	35	-
- the use of write-downs created in the previous periods	10	-
- resolving of write-down	-	30
<b>Write-downs of current trade and other receivables at the end of the period</b>	<b>5 423</b>	<b>4 728</b>

In the majority of contracts signed by the Group, time of payment for services was determined in the range from 14 to 60 days. As at 31 December 2023 and as at 31 December 2022 trade receivables include the security deposits under statutory warranty for construction and assembly works respectively in the amount of PLN4 910 thousand and PLN 1 342 thousand.

Trade receivables with time of repayment remaining from the balance sheet date:	31 December 2023	31 December 2022
a) up to 1 month	18 253	28 779
b) above 1 month to 3 months	12 072	13 314
c) above 3 months to 6 months	650	1 997
d) above 6 month to 1 year	55	1 341
e) above 1 year	4 043	2 710
f) receivables overdue	6 067	4 886
<b>Total receivables from supplies and services (gross)</b>	<b>41 140</b>	<b>53 027</b>
g) write-downs of receivables from supplies and services	5 372	4 728

<b>Total receivables from supplies and services (net)</b>	<b>35 768</b>	<b>48 299</b>
<b>Age analysis of past due trade receivables (gross)</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
a) up to 1 month	34	15
b) above 1 month to 3 months	1 545	5
c) above 3 months to 6 months	38	12
d) above 6 month to 1 year	-	62
e) above 1 year	4 959	4 792
<b>Total receivables from supplies and services past due (gross)</b>	<b>6 576</b>	<b>4 886</b>
f) write-downs of past due receivables from supplies and services	5 372	4 728
<b>Total past due receivables from supplies and services (net)</b>	<b>1 204</b>	<b>158</b>

### Note 11 - Other Financial Assets

<b>Other financial assets by type:</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
a) other financial assets - security deposits constituting security for guarantees provided by the bank	596	7 962
b) other	-	-
<b>Total other financial assets</b>	<b>596</b>	<b>7 962</b>

### Note 12 - Other Assets

<b>Other assets by type:</b>	<b>31 December 2023</b>	<b>31 December 2022</b>
a) prepayments	1 338	4 784
- cost of property and personal insurance	366	338
- software maintenance costs	925	784
- subscription	9	9
- deferred costs	27	9
- land use fee	11	-
- other	-	3 644
<b>Total other assets</b>	<b>1 338</b>	<b>4 784</b>

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

### Note 13 - Share Capital

SHARE CAPITAL (THE STRUCTURE)							
Series / emission	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	registered	3 votes per 1 share	580	580	Cash	23-07-1991	01-10-1991
Founding	registered	-	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	registered	-	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 1 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, there are 2,005,000 shares in trade, the total number of votes from 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% 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	1 002 450	1 002 450	49.97	50.00
2. Otwarty Fundusz Emerytalny PZU „Złota Jesień”	284 916	284 916	14.20	14.21

Change of rights from shares of Prochem S.A. in 2023:

1. On August 8, 2022, the Management Board of Prochem S.A. (hereinafter referred to as the Company) received information from Powszechnie Towarzystwo Emerytalne PZU S.A. acting on behalf of Otwarty Fundusz Emerytalny PZU "Złota Jesień" ("OFE PZU") about a change in the hitherto held share in the total number of votes at the general meeting of the Company

The change results from the reduction of the share capital from PLN 2,355,000 to PLN 2,005,000 by way of 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 in the Company, which constitutes 12.10 % of the share capital and held 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 in 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 shareholder of the Company, Mr. Steven Tappan, about a change in the share held so far in the total number of votes at the general meeting of the Company. The change results from the reduction of the share capital from PLN 2,355,000 to PLN 2,005,000 by way of 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 in the Company, which constituted 42.57% of the share capital and held 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 constitutes 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 14 – Revaluation Reserve

	31 December 2023	31 December 2022
<b>As at opening balance sheet</b>	3 364	6 513
Actuarial gains/ losses on valuation of provisions for employee benefits	20	61
Updating of non-current assets	-	908
Other changes	-	-4 118

**Note 15 - Retained Earnings**

	31 December 2023	31 December 2022
Spare capital	74 372	75 701
Other capital reserve	9 621	9 569
Profit for the previous period	-20	-603
Profit for the period	-24 483	23
<b>Total</b>	<b>59 490</b>	<b>84 691</b>

**Nota 16 – Provision for Retirement and Similar Benefits**

The Group pays compulsory pension program contributions depending on the amount of gross remuneration paid, in accordance with applicable law. The Group does not have any other pension programs.

In accordance with the Remuneration Regulations applicable in the Companies from the Group, employees are entitled to one-time retirement and disability benefits in the event of termination of employment due to retirement or disability pension. These severance payments are post-employment benefits paid when the employee no longer performs work, therefore the related expenses are spread over the entire period of employment of the employee by making current write-offs towards provisions for benefits. In some of the Group's companies there are jubilee bonuses paid every five years after the employees have achieved the required length of service. These gratuities are other long-term benefits and the related expenses are also spread over time from the moment of employment until the required number of years of service is reached. The current amounts of provisions and write-offs are determined by an external actuarial office individually for each employee in accordance with the methodology of "projected unit entitlements". Accrued provisions constitute the present, expected value of the Company's future long-term liabilities due to severance payments, less the current expected values of future write-offs that will be made until the employee acquires the entitlement to benefits.

The actuarial assumptions used for calculations are determined based on the historical data of the Companies, market data and forecasts. Includes demographic and financial indicators, including turnover rates, mortality tables, total disability tables, post-acquisition postponement rates, benefit base increases, discounting interest rates.

Pursuant to the Labor Code, in the event of an employee's death, his or her heirs are entitled to death benefits depending on the number of heirs and the employee's length of service and remuneration at the time of death. The companies of the Prochem Group do not create provisions for death benefits, costs are recognized when the benefit becomes due.

The current burdens of the Group for the aforementioned long-term benefits include the following items:

- cost of current employment (current write-off) recognized in profit and loss as operating cost (salaries),
- interest expense reflecting the change in the value of provisions with the passage of time, recognized in profit and loss as finance cost,
- actuarial gains / losses arising from the materialization in the reporting period of phenomena reflected by actuarial assumptions adopted at the beginning of the period and as a result of revaluation of assumptions made at the end of the period, are recognized in other comprehensive income as they all relate to post-employment benefits (severance pay) and in profit and loss as other operating income / costs, if they relate to other long-term benefits (jubilee awards),

- past service cost occasionally appearing as a positive or negative offsetting for write-downs made in previous periods and the current period, resulting from a change in benefit conditions or the introduction / restriction of a benefit plan, recognized in profit or loss for the period as operating cost (of salary),
- matured in the posthumous severance payments period as other costs by type.

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

Provisions for severance payments as at December 31, 2023 were determined using an individual method, using the PUCM methodology required by IAS 19 and using actuarial techniques. The actuarial assumptions have been updated based on the most recent historical data of the Companies, current market data and taking into account changes in the current policy of the Group and individual companies. The calculations were made based on individual employee data as of December 31, 2023, for each Company separately.

Below are the average values of the ratios determined on the basis of detailed actuarial assumptions, which were adopted individually for each Company to calculate the provisions for December 31, 2023:

- weighted average turnover rate: overall 7.59% - 10.32%, including for traineeship > 3 years 5.37% - 6.57%, depending on the Company
- weighted average probability of death: 0.002823 – 0.005204 depending on the Company (based on the tables of the Central Statistical Office GUS PTTŻ 2022 which were reduced to 30% or 40% depending on the Company)
- weighted average probability of total disability: 0.000688 – 0.002840 depending on the Company (ratio based on ZUS/Social Insurance Office case law for the years tables based on the ZUS judgments for 2016-2020, personalized for each company separately)
- average annual growth of benefit bases: 4.52% - 5.86% depending on the length of the liabilities, the type of basis and the Company
- the interest rate used for discounting depends on the total length of liabilities due to the assessed benefits, calculated for each Company separately on the basis of an extrapolated yield curve determined based on the profitability of Polish bonds as of 31-12-2023: 5.72% -5.78% depending on the Company.

For comparison, analogously averaged values of ratios determined on the basis of actuarial assumptions, which were adopted for the calculation of provisions as at 31-12-2022:

- weighted average turnover ratio: overall 6.86% - 8.91%, including for traineeship > 3 years 5.06% - 5.76%
- weighted average probability of death: 0.003660 – 0.006823
- weighted average probability of total disability: 0.001106 – 0.006209
- average annual growth of benefit bases: 4.78% - 6.82%
- average interest rate used for discounting: 6.87% - 6.89%

#### Change in provisions for retirement and disability benefits and jubilee awards

Description	In 2023			In 2022
	Benefits	Awards	Total	Total

<b>Opening balance sheet for provisions for benefit</b>	<b>1 123</b>	<b>1 310</b>	<b>2 433</b>	<b>2 538</b>
Benefits paid (-)	-124	-215	-339	-261
Interest cost	73	84	157	85
Current employment cost /current write-down /	95	85	180	173
Actuarial losses(gains)	-21	176	155	-102
Past employment costs	0	0	0	0
Effects of sale / purchase / merger of Companies	0	0	0	0
<b>Closing balance for provisions for benefits</b>	<b>1 146</b>	<b>1 440</b>	<b>2 586</b>	<b>2 433</b>
<i>Including current provision</i>	<i>105</i>	<i>224</i>	<i>329</i>	<i>301</i>
<i>Including non-current provision</i>	<i>1 041</i>	<i>1 216</i>	<i>2 257</i>	<i>2 132</i>

#### Breakdown of actuarial gains/losses

Description	In 2023			In 2022
	Benefits	Awards	Total	Total
Actuarial gains (losses) 'ex post'	-29	110	81	188
Actuarial gains (losses) from the update of demographic assumptions	-47	-36	-83	44
Actuarial gains (losses) from update of financial assumptions	55	102	157	-334
<b>Total actuarial gains (losses)</b>	<b>-21</b>	<b>176</b>	<b>155</b>	<b>-102</b>

Total income for the period from retirement and disability benefits and jubilee awards- recognized in profit and loss:

Description	In 2023			In 2022
	Benefits	Awards	Total	Total
Current employment cost /current write-down/	-95	-85	-180	-173
Past employment cost	0	0	0	0
Interest cost	-73	-84	-157	-85
Actuarial gains (losses) under other non-current benefits	0	-176	-176	20
<b>Total gain (loss)</b>	<b>-168</b>	<b>-345</b>	<b>-513</b>	<b>-238</b>

- Recognized in other comprehensive income:

Description	In 2023	In 2022
Actuarial gains (losses) under post-employment /benefits/	21	82

#### Benefits maturity profile

Period	Flows	Breakdown of provisions
2023	349	329
2024	286	245
2025	256	200
2026	230	171
2027	138	90
≥ 2028	8 398	1 551
<b>Total</b>	<b>9 657</b>	<b>2 586</b>
PV / duration	4 255	12.09 years

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 for benefits	
Change in p.p.	Provision after change	Change in %	Provision after change	Change in p.p.	Provision after change
-0.50%	104	-20%	145	-0,50%	-96
-0.25%	51	-10%	69	-0,25%	-48
<b>0.0%</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0,0%</b>	<b>0</b>
0.25%	-49	10%	-64	0,25%	51
0.50%	-96	20%	-123	0,50%	103

### Note 17 - Other Non-current Liabilities

Other non-current liabilities	31 December 2023	31 December 2022
- capital unpaid	-	-
- security deposits retained	57	6
- other	-	147
<b>Total non-current liabilities</b>	<b>57</b>	<b>153</b>

### Note 18 - Current Bank Loans

	31 December 2023	31 December 2022
- loans	2 552	1 624

#### Information on bank loans contracted

Name of the bank	Registered office	Loan limit	Amount of engagement	Repayment date	Terms of interest	Security
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By Prochem S.A.

mBank S.A.	Warsaw	4 000	0	29.08.2024	WIBOR ON PLN plus margin. Interest is accrued annually on the amount of the loan used	Promissory note in blank
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By Elektromontaż Kraków S.A.

mBank S.A.	Warsaw	1 500	729	29.02.2024	WIBOR ON + margin	Mortgage + promissory note
ING Bank Śląski	Katowice	3 000	1 823	19.11.2024	WIBOR for 1-month deposits in PLN + margin	Mortgage + promissory note

## Note 19 Trade Payables

	31 December 2023	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	34 123	55 802
- from supplies and services, with maturity period:	34 123	55 802
- up to 12 months	34 123	55 802
- above 12 months	-	-
<b>Total trade payables</b>	<b>34 123</b>	<b>55 802</b>
Non-current liabilities under seized security deposits	4 486	8 761
<b>Total trade payables</b>	<b>38 609</b>	<b>64 563</b>

## Note 20 - Amounts due from Customers and Owed to Customers under Non-current Agreements

	31 December 2023	31 December 2022
- amounts due from recipients under agreements	34 126	41 194
<b>Amounts due from recipients under non-current agreements</b>	<b>34 126</b>	<b>41 194</b>
	31 December 2023	31 December 2022
- amounts owed to recipients under agreements	7 066	538
<b>Amounts owed to recipients under non-current agreements</b>	<b>7 066</b>	<b>538</b>

Description	As at 31 December 2023	As at 31 December 2022
Revenues according to non-current contracts valued as at	566 941	1 611 306
Revenues invoiced as at	481 831	429 713
Liabilities planned under execution of contracts as at	539 485	1 510 892
Fulfilled contractual obligations as at	486 243	420 027
Amounts due from recipients as at	34 126	41 194
Amounts owed to recipients as at	7 066	538

## Note 21 - Other Liabilities

	31 December 2023	31 December 2022
a) to other entities	2 907	4 003
- under taxes, duties, insurance and other benefits	2 400	3 098
- under remuneration	408	656
- other (by type)	99	249
Liabilities to employees	13	6
Liabilities to shareholders	10	16
other	76	227
b) other current provisions	8 583	6 068
- provisions for costs accrued to the previous year related to long-term contracts	5 800	1 377
- provision to costs	736	2 524
- cost of audit	140	69

Prochem S.A. Capital Group

Consolidated financial statements prepared according to International Financial Reporting Standards endorsed by European Union (UE) as at and for the year ended December 31, 2023



- current provision to retirement benefits	329	301
- provision for unused holiday leaves	1 578	1 797
<b>Total other liabilities</b>	<b>11 490</b>	<b>10 071</b>

### *Liabilities under lease*

	Future minimum payments under lease	Interest	Current value	Future minimum payments under lease	Interest	Current value
In PLN thousands	In 2023	In 2023	In 2023	In 2022	In 2022	In 2022
Up to one year	274	26	300	382	-	382
1 to 5 years	332	22	354	268	-	268
<b>Total</b>	<b>606</b>	<b>48</b>	<b>654</b>	<b>650</b>	<b>-</b>	<b>650</b>

### *Liabilities under the right of use*

	Future minimum payments under lease	Interest	Current value	Future minimum payments under lease	Interest	Current value
In PLN thousands	In 2023	In 2023	In 2023	In 2022	In 2022	In 2022
Up to one year	3 549	1 995	5 544	3 493	1 910	5 403
1 to 5 years	16 354	5 111	21 465	14 461	5 127	19 588
above 5 years	8 185	664	8 849	12 760	1 250	14 010
<b>Total</b>	<b>28 088</b>	<b>7 770</b>	<b>35 858</b>	<b>30 714</b>	<b>8 287</b>	<b>39 001</b>

### *Liabilities under lease*

	31 December 2023	31 December 2022
- non-current liabilities	24 871	27 489
- current liabilities	3 823	3 875
<b>Total liabilities under lease</b>	<b>28 694</b>	<b>31 364</b>

### **Note 22 - Deferred Income**

	31 December 2023	31 December 2022
- advanced payments received	290	-
- other	-	324
<b>Deferred income at the end of the period, including:</b>	<b>290</b>	<b>324</b>
<b>Non-current liabilities</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>	<b>290</b>	<b>324</b>

### **Note 23 - Revenues from Sale of Services**

Revenues from sale of services (type of service and type of activity)	In 2023	In 2022
- revenues from sale of services, including:	<b>279 549</b>	<b>218 243</b>
- from related entities	-	2 701

<b>Revenues from sales (territorial structure)</b>	<b>In 2023</b>	<b>In 2022</b>
Domestic market	279 549	218 243
- including from related entities	-	2 701
Exports	-	-

Revenues under contracts for construction services (general contracting) and other services are presented in Note 32. The gross amount due from ordering parties/buyers for the work under contracts was presented in Note 20.

Information on major customers, whose total value of revenues from sales of services exceeds 10% of total revenues of the Group for 2023 is included in Note 32.

#### **Note 24 - Revenues from Sale of Goods and Materials**

<b>Revenues from sale of goods and materials (type of goods and materials and type of activity)</b>	<b>In 2023</b>	<b>In 2022</b>
Goods and materials	1 106	3 579

  

<b>Revenues from sale of goods and materials (territorial structure)</b>	<b>In 2023</b>	<b>In 2022</b>
Domestic market	1 106	3 579

#### **Note 25 – Cost of services sold**

<b>Costs by type</b>	<b>In 2023</b>	<b>In 2022</b>
a) amortization and depreciation	6 576	6 696
b) consumption of material and power	24 174	36 804
c) outsourcing	222 890	127 358
d) taxes and levies	345	250
e) remuneration	41 350	39 196
f) social security and other benefits	8 655	8 623
g) other costs by type (under)	4 839	4 280
- property and personal insurance	1 162	1 254
- business trips	1 464	878
- PFRON (State Fund for Rehabilitation of Disabled Persons)	550	498
- cars rental	284	299
- other	1 379	1 351
<b>Total costs by type</b>	<b>308 829</b>	<b>223 207</b>
Change in inventories, goods and prepayments	2 545	-871
General and administrative expenses (negative value)	-16 511	-16 462
<b>Cost of services sold</b>	<b>294 863</b>	<b>205 874</b>

## Note 26 - Other Operating Income

	In 2023	In 2022
a) gain on sale of non-financial non-current assets	62	2 096
b) subsidies	159	-
c) reversal of impairment allowances (due to)	35	-
- for receivables	35	-
d) other, including:	7 196	5 241
- reimbursement of litigation costs	70	47
- received compensation, fines and penalties	6 659	260
- release of provision	38	77
- writing off expired liabilities	212	-
- revaluation income	-	4 815
- other	217	42
<b>Total other operating income</b>	<b>7 452</b>	<b>7 337</b>

## Note 27 - Other Operating Expenses

	In 2023	In 2022
a) impairment allowance (under)	612	497
- receivables	612	497
b) other, including:	869	323
- donations	-	1
- litigation costs	159	38
- actuarial valuation of employee benefits	1	1
- paid damages, penalties and fines	442	141
- provision for future liabilities	28	36
- other	239	106
<b>Total other operating expenses</b>	<b>1 481</b>	<b>820</b>

## Note 28 - Financial Income

	In 2023	In 2022
a) interest under loans granted	-	356
- from jointly-controlled entities	-	356
b) other interest	590	398
- from other entities	590	398
c) surplus of positive exchange rates	529	969
d) other, including:	378	346
- revenues under discounted non-current liabilities	363	329
- other	15	17
<b>Total financial income</b>	<b>1 497</b>	<b>2 069</b>

## Note 29 - Finance Expenses

	In 2023	In 2022
a) interest on bank loans	241	244
b) interest on loans	-	3
c) other interest	2 359	1 750
- for other entities	57	131
- under lease	2 302	1 619
d) surplus of negative exchange rates	1 628	285
e) other, including:	2 010	1 307
- commissions on bank guarantees	1 144	861
- commissions on loans	11	-
- costs of discounting financial assets	155	50
- costs of discounting financial assets	562	320
- other expenses	138	76
<b>Total finance expenses</b>	<b>6 238</b>	<b>3 589</b>

## Note 30 - Income Tax

Deferred income tax disclosed in the statement of profit and loss	In 2023	In 2022
- decrease (increase) from arising and reversal of temporary differences	-7 033	-519
<b>Total deferred income tax</b>	<b>-7 033</b>	<b>-519</b>

## Note 31 – Additional Disclosures to the Statement of Cash Flows

Operating activities include basic activity and turnover from other operating activity.

Investment activity include turnovers in the scope of investment in PPE, intangible assets, capital investments and securities held for trading.

Dividends received are disclosed in cash flows from investing activities. Loans granted and repaid together with accrued interest are disclosed in cash flows – investing activities.

Paid interest and commission under borrowings, loans and leases are recognized in cash flows - financial activity. Financial activity include also bank loans and borrowings granted and repaid.

Differences between the amounts established directly from the financial statements and disclosed in the statement of cash flows, are resulting from a transfer of individual amounts from operating activity to investing activity and financing activity.

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

	In 2023	In 2022
<b>Change in current receivables</b>	<b>21 382</b>	<b>3 873</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 retained security deposits as at 1 January	2 431	231
Adjustment for the sale of a subsidiary in 2022	-280	-
Opening balance sheet adjustment due to the sale of a subsidiary in 2023	-3 937	-
<b>Opening balance sheet after adjustments</b>	<b>95 703</b>	<b>103 513</b>
Receivables as at 31 December	37 672	51 511
Amounts due from recipients under agreements as at 31December	34 126	41 194
Other assets as at 31 December	1 338	4 784
Receivables under retained security deposits as at 31December	1 185	2 431
Receivables for sold property, plant and equipment as at 31December	-	-280
<b>Closing balance sheet after adjustments</b>	<b>74 321</b>	<b>99 640</b>
<b>Change in current liabilities except for current borrowings and special funds</b>	<b>-15 808</b>	<b>-28 057</b>
Trade payables as at 1 January	55 802	77 461
Other liabilities as at 1January	10 071	12 405
Amounts owed to suppliers under contracts as at 1 January	538	5 803
Liabilities under retained security deposits as at 1 January	8 761	8 939
Other non-current liabilities as at 1 January	153	143
Provision for current retirement benefits as at 1 January	-301	-229
Provisions for annual leaves as at 1 January	-1 797	-1 767
Provision for audit na dzień as at 1 January	-69	-48
Provision for current other costs as at 1 January	-9	-1 579
Investment commitments as at 1 January	-84	-8
Liabilities to shareholders as at 1 January	-16	-14
Opening balance sheet adjustment due to the sale of a subsidiary in 2023	-2 072	-
<b>Opening balance sheet after adjustments</b>	<b>70 977</b>	<b>101 106</b>
Trade payables as at 31 December	34 123	55 802
Amounts owed to recipients under contracts as at 31 December	7 066	538
Other liabilities as at 31 December	11 490	10 071
Liabilities under retained security deposits as at 31 December	4 486	8 761
Other non-current liabilities as at 31December	57	153
Provision to current retirement benefits as at 31 December	-329	-301
Provision to annual leaves as at 31 December	-1 578	-1 797
Provision to audit as at 31 December	-140	-69
Provision to current other costs as at 31 December	7	-9
Investment commitments as at 31 December	-3	-84
Liabilities to shareholders as at 31 December	-10	-16
<b>Closing balance sheet after adjustments</b>	<b>55 169</b>	<b>73 049</b>
<b>Change in other adjustments as at balance sheet date</b>	<b>2 775</b>	<b>22 993</b>
Change in deferred income – advances received	290	-495
Change of the entity's status from jointly controlled to subsidiary - included cash	-	23 662
Sale of a subsidiary - exclusion of cash	-	-1 119
Other	2 485	945

## Note 32 – Operating Segments

Operating segment is a component part of the Group:

- that engages in business activity from which it can obtain income and incur expenses,
- whose operating results are regularly reviewed by the body responsible for making operating decisions of the Group,
- in case of which a separate financial information is available.

Revenues of the segment are revenues from sale to external customers.

Costs of the segment are the expenses composed of costs relating to the sale to external customers.

Segment result is determined on the level of operating income.

The activities of the companies from Capital Group and the Issuer, for the managing purposes were divided into the eleven basic operational sectors such as: execution (general contracting), design services and other engineering services (supervisions along with the project engineer service), lease of the construction equipment, assembly of electrical installations, lease of office space, commercial activity and other activity.

Segment assets include all assets used by a segment, consisting primarily of receivables, inventories and property, plant and equipment diminished by the value of provisions and impairment losses . Some assets in the joint use are assigned to the segment based on reasonable weights.

In 2023 and in the corresponding period of the previous year, there were no revenues from operations of the Issuer generated outside Poland (Exports).

Information on major customers of the Issuer, which share in the sales revenue recognized in consolidated profit and loss account for 2023 exceeded 10% of total revenues from sale:

- A Customer involved in the production of chemical raw materials - sales revenue PLN 61 286 thousand, representing 21.92% of sales revenue, which was shown in the segment „General contracting” and „Design services and other engineering services”.
- A Customer involved in the production of fertilizers - sales revenue PLN 43 894 thousand, representing 15.70% of sales revenue, which was shown in the segment „General contracting”.
- A Customer involved in the production of other basic inorganic chemicals - sales revenue PLN 65 274 thousand, representing 23.35% of sales revenue, which was shown in the segment „Design services and other engineering services”.

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

### Information about the geographical areas

Geographical breakdown of sales revenue was presented in accordance with country of the seat of the ordering party.

	Note	In 2023	In 2022
Poland		279 549	218 243
Other countries	-	-	-
	<b>23</b>	<b>279 549</b>	<b>218 243</b>

**Current data**

	For the period from 01.01.2023 to 31.12.2023	General contracting	Design services, other engineering services	Rental of constructi on equipmen t	Assembly of electrical installations	Rental of office space	Commerci al activity	Other IT services	Other	Items not assigned	Total
Revenues to external customers	172 510	49 479	116	51 413	5 528	1 106	-	503	-	280 655	
<b>Total segment revenues</b>	<b>172 510</b>	<b>49 479</b>	<b>116</b>	<b>51 413</b>	<b>5 528</b>	<b>1 106</b>	<b>-</b>	<b>503</b>	<b>-</b>	<b>280 655</b>	
<b>Result</b>											
<b>Profit (loss) of the segment</b>	<b>-35 618</b>	<b>77</b>	<b>-20</b>	<b>2 991</b>	<b>1 232</b>	<b>150</b>	<b>-</b>	<b>-487</b>	<b>-</b>	<b>-31 675</b>	
Financial income									1 497	1 497	
Finance costs									-6 238	-6 238	
Net financial revenues									-4 741	-4 741	
Profit sharing in entities valued under the equity method									-	-	
Profit (loss) on other operating activities									5 971	5 971	
Before tax profit									-30 445	<b>-30 445</b>	
Income tax									-6 097	-6 097	
Profit for the current period									-24 348	<b>-24 348</b>	
Loss assigned to non-controlling interest									135	<b>135</b>	
<b>Profit for the period assigned to shareholders of parent entity</b>									-24 483	<b>-24 483</b>	
Segment assets (related to activity)	31 291	24 516	-	19 625	31 160	-	-	-	-	106 592	
Assets unallocated (among others shares and other financial assets)									53 188	53 188	
<b>Total assets</b>	<b>31 291</b>	<b>24 516</b>	<b>-</b>	<b>19 625</b>	<b>31 160</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53 188</b>	<b>159 780</b>	
Liabilities of the segment (related to activity)	34 453	10 196	14	17 738	18 085	48	-	-	12 261	92 795	
Equity of the owners of the parent entity									64 878	64 878	
Non-controlling interest									2 106	2 106	
<b>Total liabilities and equity</b>	<b>34 453</b>	<b>10 196</b>	<b>14</b>	<b>17 738</b>	<b>18 085</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>79 246</b>	<b>159 780</b>	
Depreciation of property, plant and equipment	289	1 417	10	939	2 089	-	-	106	1 678	6 528	
Amortization of intangible assets	-	-	-	24	-	-	-	-	24	48	
Write-down of segment assets (receivables from supplies and services)	-263	-509	-2 843	-1 625	-114	-	-	-69	-	-5 423	

*Prochem S.A. Capital Group*

*Consolidated financial statements prepared according to International Financial Reporting Standards endorsed by European Union (UE) as at and for the year ended December 31, 2023*

**Comparative data**

For the period from 01.01.2022 to 31.12.2022.	General contracti ng	Design services, other engineering services	Rental of construction equipment	Assembly of electrical installations	Rental of office space	Commerci al activity	Other IT services	Other	Items not assigned	Total
Revenues to customers	105 063	44 719	398	59 400	4 850	3 579	1 375	2 438	-	221 822
<b>Total segment revenues</b>	<b>105 063</b>	<b>44 719</b>	<b>398</b>	<b>59 400</b>	<b>4 850</b>	<b>3 579</b>	<b>1 375</b>	<b>2 438</b>	<b>-</b>	<b>221 822</b>
<b>Result</b>										
<b>Profit (loss) of the segment</b>	<b>-8 494</b>	<b>1 245</b>	<b>-204</b>	<b>1 314</b>	<b>900</b>	<b>150</b>	<b>991</b>	<b>155</b>	<b>-</b>	<b>-3 943</b>
Financial income									2 069	2 069
Finance costs									3 589	3 589
Net financial revenues									-1 520	-1 520
Profit sharing in entities valued under the equity method									-	-
Profit (loss) on other operating activities									6 641	6 641
Before tax profit									1 178	<b>1 178</b>
Income tax									652	652
Profit for the current period									526	<b>526</b>
Loss assigned to non-controlling interest									503	<b>503</b>
<b>Profit for the period assigned to shareholders of parent entity</b>									23	<b>23</b>
Segment assets (related to activity)	23 593	9 199	126	18 404	18 619	-	149	-	-	70 090
Assets unallocated (among others shares and other financial assets)									135 305	135 305
<b>Total assets</b>	<b>23 593</b>	<b>9 199</b>	<b>126</b>	<b>18 404</b>	<b>18 619</b>	<b>-</b>	<b>149</b>	<b>-</b>	<b>135 305</b>	<b>205 395</b>
Liabilities of the segment (related to activity)	27 832	2 308	60	17 597	16 519	214	-	-	48 471	113 001
Equity of the owners of the parent entity									90 060	90 060
Non-controlling interest									2 334	2 334
<b>Total liabilities and equity</b>	<b>27 832</b>	<b>2 308</b>	<b>60</b>	<b>17 597</b>	<b>16 519</b>	<b>214</b>	<b>-</b>	<b>-</b>	<b>140 865</b>	<b>205 395</b>
Depreciation of property, plant and equipment	393	1 559	43	994	1 750	-	26	119	1 774	6 658
Amortization of intangible assets	-	-	-	16	-	-	-	-	22	38
Write-down of segment assets (receivables from supplies and services)	-264	-22	-2 794	-1 630	-	-	-	-18	-	-4 728

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### Note 33 - Profit per One Share

Net loss per 1 share remaining in trade as at balance sheet date 31 December 2023 amounts to PLN - 12.21 and in 2022 net profit per one share was PLN 0.01.

### Note 34 - Profit Sharing and Loss Coverage

Net profit of the Capital Group of Prochem S.A. is not subject to distribution.

Net profit of the Parent Company, Prochem S.A. for 2022, in the amount of PLN 26,255,776.50 by Resolution No. 14 of the Ordinary General Meeting of June 14, 2023 was entirely allocated to the spare capital.

#### *Proposed distribution of net profit for 2023*

The Management Board of the Parent Entity proposes to cover the loss in the amount of PLN 19,590,790.39 from spare capital.

### Note 35 - Dividends

The Issuer did not pay dividend for 2022.

### Note 36 - Financial Instruments and Financial Risk Management

#### 36.1 Categories and Classes of Financial Instruments

##### *Financial assets*

(in PLN thousands)		Categories of financial instruments	
			Loans, receivables and other
Classes of financial instruments	Note	31.12.2023	31.12.2022
Trade receivables	10	35 768	48 299
Cash		14 173	36 880
Amounts due from recipients under contracts	20	34 126	41 194
Other financial assets – security deposits securing bank guarantee granted	11 and 8	5 565	7 962
<b>Total</b>		<b>89 632</b>	<b>134 335</b>

##### *Financial liabilities*

31 December 2023

(in PLN thousands)		Categories of financial instruments	
		Financial liabilities measured at amortized cost	Total
Classes of financial instruments	note		
Loans	18	2 552	2 552
Amounts owed to recipients under agreements	20	7 066	7 066
Other liabilities	21	11 490	11 490
Trade payables	19	34 123	34 123
<b>Total</b>		<b>55 231</b>	<b>55 231</b>

31 December 2022

### Categories of financial instruments

(in PLN thousands)		Financial liabilities measured at amortized cost	Total
<b>Classes of financial instruments</b>	<b>note</b>		
Loans	18	1 624	1 624
Amounts owed to recipients under agreements	20	538	538
Trade payables	19	64 563	64 563
<b>Total</b>		<b>66 725</b>	<b>66 725</b>

### Impairment allowances of financial assets by classes of financial instruments

(in PLN thousands)	As at	
	31 December 2023	31 December 2022
Trade receivables	5 372	4 728
<b>Total</b>	<b>5 372</b>	<b>4 728</b>

Impairment allowances of financial assets are presented in Note 10.

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

## 36.2. Financial Risk Management

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

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

### *Credit risk*

The Group while 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 No. 10.

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

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

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

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

Risk of threatened financial assets is reflected by impairment allowances.

### *Liquidity risk*

The Group is exposed to the liquidity risk resulting from the relation of current liabilities to current assets.

As at December 31, 2023 and as at December 31, 2022 the index ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.52 and 1.98.

Detailed information regarding loans is disclosed in Note 18.

Analysis of maturity of liabilities is in Notes Nos. from 17 to 21.

### *Currency 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 Group. Partially, this risk is mitigated in the natural way through the purchase of equipment and services for the accomplishment of these contracts abroad, as well as through the purchase of relevant financial instruments.

#### *Exposure to currency risk as at 31 December 2023*

(in PLN thousands)	EUR	USD	Total after translation into PLN
<b>Financial assets</b>			
Receivables from supplies and services	675	61	3 175
Cash	1 066	1 131	9 087
<b>Total</b>	<b>1 741</b>	<b>1 192</b>	<b>12 262</b>
<b>Financial liabilities</b>			
Trade payables	310	-	1 348
<b>Total</b>	<b>310</b>	<b>-</b>	<b>1 348</b>

#### *Exposure to currency risk as at 31 December 2022*

(in PLN thousands)	EUR	USD	NOK	Other in PLN	Total after translation into PLN
<b>Financial assets</b>					
Receivables from supplies and services	392	719	-	-	5 008
Cash	1 468	657	88	7	9 828
<b>Total</b>	<b>1 860</b>	<b>1 376</b>	<b>88</b>	<b>7</b>	<b>14 836</b>
<b>Financial liabilities</b>					
Trade payables	626	157	-	-	3 628
<b>Total</b>	<b>626</b>	<b>157</b>	<b>-</b>	<b>-</b>	<b>3 628</b>

### *Exposure to currency risk as at 31 December 2023*

(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%	933	15%	-933
USD/PLN	15%	704	15%	-704
<b>Total impact</b>		<b>1 637</b>		<b>-1 637</b>

### *Exposure to currency risk as at 31 December 2022*

(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%	-31	15%	31
USD/PLN	15%	321	15%	-321
<b>Total impact</b>		<b>290</b>		<b>-290</b>

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

Revenues in foreign currency achieved in the currency in the years 2023 and 2022 were as follow:

currency	revenues		Average exchange rate for sales		expenses		Average exchange rate for purchases	
	2023	2022	2023	2022	2023	2022	2023	2022
(in thousands)								
EUR	7 838	2 514	4.8544	4.6824	10 488	3 178	4.5417	4.6848
USD	3 335	1 522	4.2442	4.6770	2 134	272	4.3904	4.6742
CHF	-	-	-	-	-	2	-	4.4326
GBP	-	-	-	-	-	3	5.1953	-

Analysis of the impact of potential change in value of financial instruments as at December 31, 2023 on the gross financial result in connection with hypothetical change in foreign currency exchange rates in relation to the Polish Zloty/functional currency.

The above fluctuations were calculated based on historical volatility of particular currencies and forecasts.

The main foreign currencies in the reporting period were EUR and USD.

Hypothetically assuming that if the Polish Zloty weakened/strengthened by 1 % against EUR, then revenues in 2023 would increase or decrease by PLN 380 thousand, and in 2022 by PLN 118 thousand, which would have an impact on before tax profit, while costs would increase in 2023 by PLN 476 thousand, and in 2022 by PLN 149 thousand.

If the Polish Zloty weakened/strengthened by 1 % against USD, then revenues in 2023 would increase or decrease by PLN 643 thousand, which would have an impact on before tax profit, while costs would increase or decrease in 2023 by PLN 94 thousand.

The above deviations were calculated on the basis of historical fluctuation for particular currencies and forecasts.

Sensitivity of financial instruments for currency risk was calculated as the difference between the initial book value of financial instruments and its potential book value at assumed increase/drop in exchange rates.

For other currencies sensitivity of financial instruments is not material.

### ***Interest rate risk***

The Group is exposed to the risk of volatility of cash flows under interest rate resulting from bank loans based on floating interest rate WIBOR ON (overnight) and loans granted based on floating rate WIBOR 1M and bill of exchange rediscount rate. The Group did not take into account the decline in interest rates in its analysis.

#### ***Analysis of financial instruments with floating interest rate***

(in PLN thousands)	WIBOR		Fixed rate of interest	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
<b>Financial liabilities</b>				
Loan	2 552	440	-	-

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

(in PLN thousands)	WIBOR fluctuations assuming		impact on the financial result (in PLN thousands)	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
<b>Financial liabilities</b>				
Loan	+50 p.b.	+50 p.b.	(13)	(2)

### ***Capital risk***

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

### **Note 37 – Transactions with Related Entities**

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 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.

Remuneration paid in 2023 in the Issuer's enterprise to the Members of the Management Board:

1. Marek Kiersznicki	PLN 928.0 thousand
2. Krzysztof Marczak	PLN 787.9 thousand
3. Michał Dąbrowski	PLN 657.5 thousand

Remuneration paid in 2023 in the Issuer's enterprise to the Members of the Supervisory Board:

1. Marek Garliński	PLN 117.0 thousand
2. Karol Żbikowski	PLN 78.0 thousand
3. Wiesław Kiepiel	PLN 78.0 thousand
4. Jarosław Stępniewski	PLN 174.0 thousand
5. Paweł Bielecki	PLN 50.8 thousand
6. Andrzej Karczykowski	PLN 27.3 thousand

Remuneration paid to the Members of the Supervisory Board and the Members of the Management Board and in 2023 for performing the functions in the Management Boards and the Supervisory Boards of the companies from the Capital Group:

1. Krzysztof Marczak	PLN 96.0 thousand
2. Marek Garliński	PLN 97.5 thousand
3. Jarosław Stępniewski	PLN 115.3 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 parties include commercial and financial receivables and liabilities.

Guarantees and sureties granted to related entities are presented in Note 38.

### *Transactions with affiliates*

#### *Comparative period*

(in PLN thousands)

#### **from 1 January 2022 to 31 December 2022**

	Sale of services	Purchase of services	Financial income – interest on loans	Financial income - dividends received
Jointly-controlled entities and associated entities	2 675	1 947	356	31 562

Revenues from the sale of services to jointly-controlled entities and associated entities in 2022 and 2021 in its entirety relate to revenues from the jointly-controlled company Irydion Sp. z o.o. in Warsaw, for the benefit of which is implemented investment task under the name of „Astrum Biznes Park” in Warsaw.

In 2022 the costs relate to the rental of office space.

#### **As at 31 December 2022**

	Trade and other receivables	Receivables under loans granted	Trade payables
Jointly-controlled entities and associated entities	7	-	-

## **Note 38 - Contingent Liabilities and Contingent Assets and Other Collateral**

### **Contingent liabilities**

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

	31.12.2023	31.12.2022
<b>Collateral granted</b>		
Bank guarantee of the good performance	44 551	66 362
Guarantee of reimbursement of advance payment	-	69
Guarantee of payment	1 375	1 163
Tender guarantee	2 500	0
<b>Total collateral granted</b>	<b>48 426</b>	<b>67 594</b>
<b>Contingent liabilities</b>		
Surety for the return of advance payment in the Group	-	-
<b>Total collateral granted and contingent liabilities</b>	<b>48 426</b>	<b>67 594</b>

### Contingent assets

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

#### Collateral received

	31 December 2023	31 December 2022
Guarantee of reimbursement of advance payment	386	-
Bank guarantee of the good performance	11 590	16 326
Promissory note guarantees securing the terms of the contract	167	450
<b>Total contingent assets</b>	<b>12 143</b>	<b>16 776</b>

### Note 39 - Events after Reporting Date

On January 10, 2024, Prochem S.A. acquired 32 shares of Prochem Zachód Sp. z o. o. based in Warsaw from the bankruptcy trustee of Przedsiębiorstwo- Usługowe Interbud West spółka z o. o. seated in Gorzów Wielkopolski. The value of the transaction amounted to PLN 201 thousand. As a result of the transaction, Prochem S.A. became the only shareholder of Prochem Zachód Sp. z o. o.

### Note 40 - Other Explanatory Information to the Financial Statements

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

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

- 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 period from January 1, 2023 to December 31, 2023, there were no changes in the number of shares held by managing and supervising persons.

### Note 41 – The Impact of the War Conflict in Ukraine on the Company's operations

The Group monitors the impact of the political and economic situation in Ukraine on the Group's operations on an ongoing basis. As at the date of hereby financial statements, the Company had observed a noticeable impact on sales and the supply chain. First of all, there has been 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.

The Management Boards of companies from the Capital Group of Prochem S.A. monitor the current situation with particular attention and, if necessary, are prepared to take appropriate actions to adapt its potential to the new conditions in order to mitigate any negative effects on the entity.

The above-mentioned factors may have an impact on the level of profitability of the business. It is monitored on an ongoing basis so as to take appropriate steps regarding the organization of work and fulfil obligations on time, if necessary.

As at the date of hereby consolidated report, the Group of Prochem S.A. sees no threat to continue operations as a going concern for the Group.

### Note 42 - Information on the agreement with the entity authorized to audit the Issuer's financial statements, approval of the financial statements

On the basis of the resolution of the Supervisory Board of Prochem S.A. of May 20, 2020 on the selection of an auditor on June 9, 2020, an agreement was concluded with the entity authorized to audit

financial statements, Misters Audytor Adviser sp. z o. o. for the audit and review of the separate and consolidated financial statements of Prochem S.A. The agreement was concluded for the audit of the financial statements for 2020, 2021 and 2022. The total amount of remuneration for Misters Audytor Adviser sp. z o. o. resulting from the agreement is PLN 18,300 net for the review of financial statements for 2022 and PLN 58,400 for the audit of financial statements for 2022.

Additionally, in connection with the assessment of the remuneration report for 2022, Misters Audytor Adviser sp. z o. o. received a remuneration of PLN 7,800. net.

In connection with the audit and review of financial statements for 2021, Misters Audytor Adviser sp. z o. o. received remuneration of PLN 70,700 net.

Additionally, in connection with the assessment of the remuneration report for 2021, Misters Audytor Adviser sp. z o.o. received a remuneration of PLN 7,800 net.

In 2023 on the basis of the resolution of the Supervisory Board of Prochem S.A. of May 24, 2023 on the selection of an auditor on September 6, 2023, an agreement was concluded with the entity authorized to audit financial statements, Misters Audytor Adviser sp. z o. o. for the audit and review of the separate and consolidated financial statements of Prochem S.A. The agreement was concluded for the audit of the financial statements for 2023, 2024 and 2025. The total amount of remuneration for Misters Audytor Adviser sp. z o. o. resulting from the agreement is PLN 48,300 net for the review of financial statements for 2023 and PLN 81,700 for the audit of financial statements for 2023.

Additionally, in connection with the assessment of the remuneration report for 2023 Misters Audytor Adviser sp. z o.o. will receive remuneration of PLN 9,000 net.



**Note 43 Approval of the Financial Statements**

Consolidated Financial Statements of the Prochem S.A. Capital Group for 2023 were approved for issue by the Management Board of the Parent Entity on April 26, 2024.

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

26 April 2024 date	Marek Kiersznicki First name and surname	President of the Management Board position	..... signature
26 April 2024 date	Krzysztof Marczak First name and surname	Vice President of the Management Board position	..... date
26 April 2024 date	Michał Dąbrowski First name and surname	Member of the Management Board position	..... date

**Signature of the person responsible for bookkeeping**

26 April 2024 date	Barbara Auguścińska-Sawicka First name and surname	Chief Accountant position	..... date
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