

PROCHEM S.A. CAPITAL GROUP

**CONSOLIDATED QUARTERLY REPORT
FOR THE THIRD QUARTER OF 2023**

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

www.prochem.com.pl

Selected financial data

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

- For the third quarter of 2023 - 4.5773 PLN/EUR
- For the third quarter of 2022 - 4.6880 PLN/EUR

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

- 4.6356 PLN/EUR as at 30 September 2023
- 4.6899 PLN/EUR as at 31 December 2022

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

Description	Reporting period ended 30 September		Reporting period ended 30 September	
	2023	2022	2023	2022
	In PLN thousands		In EURO thousands	
Consolidated statement of profit and loss				
Revenues from sale	247 836	150 758	54 145	32 158
Gross profit on sales	-7 278	8 990	-1 590	1 918
Results from operating activities	-13 288	-4 945	-2 903	-1 055
Before tax profit	-17 224	1 386	-3 763	296
Profit for the period, assigned to:	-14 176	704	-3 097	150
Shareholders of the Parent Entity	-14 243	280	-3 112	60
Non-controlling interest	67	424	15	90
Profit/diluted profit (in PLN/EURO) per one ordinary share – assigned to shareholders of parent entity	-7.10	0.12	-1.55	0.03
Consolidated statement of cash flows				
Net cash provided by (used in) operating activities	-13 433	-11 377	-2 935	-2 427
Net cash provided by (used in) investing activities	-1 495	47 423	-327	10 116
Net cash provided by (used in) financing activities	-2 036	-4 390	-445	-936
Net cash flows, total	-16 964	31 656	-3 706	6 753
Description	As at		As at	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022
	In PLN thousands		In EURO thousands	
Consolidated statement of financial position				
Total assets	181 478	205 395	39 149	43 795
Total non-current assets	66 617	61 768	14 371	13 170
Total current assets	114 861	143 627	24 778	30 625
Equity attributable to shareholders of the parent entity	75 079	90 060	16 196	19 203
Non-controlling interest	2 040	2 334	440	498
Total equity	77 119	92 394	16 636	19 701
Total non-current liabilities	36 495	40 476	7 873	8 630
Total current liabilities	67 864	72 525	14 640	15 464
Book value per one ordinary share (in PLN/EURO) – assigned to shareholders of the parent entity	37.45	44.92	8.08	9.58
Weighted average number of shares (in pcs.)	2 005 000	2 005 000	2 005 000	2 005 000

Selected financial data

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

- For the third quarter of 2023 - 4.5773 PLN/EURO
- For the third quarter of 2022 - 4.6880 PLN/EURO

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

- 4.6356 PLN/EUR as at 30 September 2023
- 4.6899 PLN/EUR as at 31 December 2022

Selected financial data of Prochem S.A.

Description	Reporting period ended 30 September		Reporting period ended 30 September	
	2023	2022	2023	2022
	In PLN thousands		In EURO thousands	
<i>Separate statement of profit and loss</i>				
Revenues from sale	202 957	100 709	44 340	21 482
Gross profit on sales	-14 104	3 449	-3 081	736
Results from operating activities	-15 412	-6 434	-3 367	-1 372
Before tax profit	-12 243	26 944	-2 675	5 747
Profit for the period	-8 851	26 351	-1 934	5 621
Profit/diluted profit (in PLN/EUR) per one ordinary share	-4.41	11.19	-0.96	2.39
<i>Separate statement of cash flows</i>				
Net cash provided by (used in) operating activities	-20 812	-11 728	-4 547	-2 502
Net cash provided by (used in) investing activities	5 978	47 991	1 306	10 237
Net cash provided by (used in) financing activities	8 991	-3 040	1 964	-648
Total cash flows, net	-5 843	33 223	-1 277	7 087

Description	As at		As at	
	30 September 2023	31 December 2022	30 September 2023	31 December 2022
	In PLN thousands		In EURO thousands	
<i>Separate statement of financial position</i>				
Total assets	134 141	135 257	28 937	28 840
Total non-current assets	56 901	51 302	12 275	10 939
Total current assets	77 240	83 955	16 662	17 901
Total equity	48 891	57 742	10 547	12 312
Total non-current liabilities	31 497	24 855	6 795	5 300
Total current liabilities	53 753	52 660	11 596	11 228
Book value per one ordinary share (in PLN/EURO)	24.38	28.80	5.26	6.14
Weighted average number of shares (in pcs.)	2 005 000	2 005 000	2 005 000	2 005 000

Contents

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group

1. Consolidated statements of financial position
2. Consolidated statement of profit and loss
3. Consolidated statement of comprehensive income
4. Consolidated statement of changes in equity
5. Consolidated statement of cash flows

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

1. Establishment of the Parent Entity and Its Principal Activity
2. The Management Board and Supervisory authorities of the Issuer
3. Employment
4. Description of the Capital Group with indication of the consolidated entities
5. Adopted accounting principles and statement of compliance
Principles of presentation and Statement on the compliance and reliability of the prepared report
Changes in accounting estimates and in accounting policies
New standards, interpretations and changes in published IFRS and their impact
6. Functional currency and presentation currency of financial statements
7. Foreign currency transactions
8. Impact of the coronavirus pandemic on the operations of the Prochem S.A. Group
9. Impact of the military conflict in Ukraine on the Group's operations
10. Explanatory notes to interim condensed consolidated financial statements as at and for the period of 9 months ended 30 September 2023
11. Statement of the Management Board of the Parent Entity regarding the true and fair preparation of the interim condensed financial statements
12. Approval of financial statements for issue by the Management Boards of the Parent Entity Prochem S.A.
- 13. Prochem S.A. quarterly financial information**

***Interim condensed consolidated financial statements of the PROCHEM S.A.
Capital Group prepared in accordance with International Financial Reporting
Standards endorsed by EU as at and for the period ended September 30, 2023***

Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	Note No.	30 September 2023	31 December 2022
A s s e t s			
Non-current assets			
Property, plant and equipment	1	15 081	14 769
Intangible assets		48	81
Investment property	2	12 273	12 558
Right-of-use assets	3	26 791	29 003
Shares	4	830	830
Shares in equity-accounted investees	5	-	-
Deferred tax assets	6	5 509	2 096
Receivables under seized security deposits		1 211	2 431
Other financial assets	7	4 874	-
Total non-current assets		66 617	61 768
Current assets			
Inventories	8	951	936
Trade and other receivables	9	39 554	51 511
Receivables under current income tax		295	360
Amounts due from recipients under contracts	16	47 568	41 194
Other financial assets	10	4 969	7 962
Other assets	11	1 608	4 784
Cash and cash equivalents		19 916	36 880
Total current assets		114 861	143 627
Total assets		181 478	205 395

Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

Equity and liabilities	Note No.	30 September 2023	31 December 2022
Equity			
Share capital	12	2 005	2 355
Own shares		-	-350
Revaluation reserve		3 364	3 364
Retained earnings	13	69 710	84 691
Owners' equity		75 079	90 060
Non-controlling interest		2 040	2 334
Total equity		77 119	92 394
Non-current liabilities			
Provision to deferred income tax	6	1 823	1 939
Liability under retirement and similar benefits		2 106	2 134
Non-current liabilities under seized security deposits		6 625	8 761
Non-current liabilities under lease	17	25 831	27 489
Other non-current liabilities		110	153
Total non-current liabilities		36 495	40 476
Current liabilities			
Current bank loans	14	3 982	1 624
Trade payables	15	47 990	55 802
Amounts owed to recipients under contracts	16	2 275	538
Liabilities under current income tax		-	291
Current liabilities under lease	17	3 943	3 875
Other liabilities	17	9 674	10 071
Deferred income	18	-	324
Total current liabilities		67 864	72 525
Total liabilities		104 359	113 001
Total equity and liabilities		181 478	205 395
Book value – equity assigned to owners of the Parent Entity		75 079	90 060
Average number of ordinary shares (in pcs.)		2 005 000	2 005 000
Book value per one share (in PLN) – assigned to owners' of Parent Entity		37.45	44.92

Consolidated statement of profit and loss

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 September 2023	Period ended 30 September 2022
Revenues from sale, including:		247 836	150 758
Revenues from sale of services	19	246 803	147 905
Revenues from sale of goods and services	20	1 033	2 853
Cost of sales, including:		-255 114	-141 768
Cost of services sold	21	-254 246	-139 024
Cost of merchandise and raw materials		-868	-2 744
Gross profit on sales		-7 278	8 990
General and administrative expenses	21	-11 963	-11 345
Other operating income	22	6 808	870
Other operating expenses	23	-855	-3 460
Results from operating activities		-13 288	-4 945
Financial income	24	843	3 289
Profit on sale of all or part of shares in subsidiary		-	34
Finance expenses	25	-4 779	-2 363
Profit sharing in associated entities		-	5 371
Before tax profit		-17 224	1 386
Income tax expense:	26	-3 048	682
- current tax		482	124
- deferred tax		-3 530	558
Profit for the period		-14 176	704

Profit for the period assigned to:

Shareholders of the Parent Entity	-14 243	280
Non-controlling interest	67	424
Weighted average number of ordinary shares (in pcs.)	2 005 000	2 355 000
Profit (loss) per one ordinary share (in PLN per share) assigned to owners of the Parent Entity	-7.10	0.12

Consolidated statement of comprehensive income

	Period ended 30 September 2023	Period ended 30 September 2022
Profit for the period	-14 176	704
Other comprehensive income net	-	-
Total comprehensive income	-14 176	704

Total comprehensive income assigned to:

Shareholders of the Parent Entity	-14 243	280
Non-controlling interest	67	424
Weighted average number of ordinary shares (in pcs.)	2 005 000	2 355 000
Total comprehensive income per one ordinary share (in PLN per one share) assigned to owners of the Parent Entity	-7.10	0.12

Consolidated statements of changes in equity

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Own shares	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the parent entity	Equity assigned to non-controlling interest	Total equity
Reporting period from 1 January 2022 to 30 September 2023							
As at the beginning of the period upon making the data comparable	2 355	-350	3 365	84 691	90 060	2 334	92 394
Net profit of the given period	-	-	-	-14 243	-14 243	67	-14 176
<i>Other comprehensive income (net)</i>	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-14 243	-14 243	67	-14 176
Dividend paid to non-controlling interest	-	-	-	-	-	-231	-231
Other changes – redemption of all shares	-350	350	-	-	-	-	-
Other changes – sale of subsidiary, redemption of shares in subsidiary	-	-	-	-738	-738	-130	-868
As at the end of the period	2 005	-	3 364	69 710	75 079	2 040	77 119

	Share capital	Own shares	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the parent entity	Equity assigned to non-controlling interest	Total equity
Reporting period from 1 January 2022 to 30 September 2022							
As at the beginning of the period upon making the data comparable	2 935	-580	6 513	90 270	99 138	3 636	102 774
Net profit of the given period	-	-	-	280	280	424	704
<i>Other comprehensive income (net)</i>	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	280	280	424	704
Other changes – redemption of own shares	-580	580	-	-	-	-	-
Other changes	-	-	493	-700	-207	-1 430	-1 637
As at the end of the period	2 355	-	7 006	89 850	99 211	2 630	101 841

Consolidated statement of cash flows

(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 September 2023	Period ended 30 September 2022
Cash flows - operating activities		
Before tax profit	-17 224	1 386
Total adjustments	4 519	-13 029
Share in net profit of associated entities	-	-5 371
Amortization and depreciation	5 133	5 073
Interest and profit sharing (dividends)	1 922	926
(Profit) loss on disposal of property, plant and equipment	-37	-
(Profit) loss on investment	-	-170
Change in provision	-463	-328
Change in inventories	-115	5 894
Change in receivables and in other assets	5 958	27 898
Change in current liabilities except for borrowings and loans	-6 051	-46 363
Other adjustments (including change in deferred income)	-1 828	-588
Cash provided by (used in) operating activities	-12 705	-11 643
Income tax paid	728	266
Net cash provided by (used in) operating activities	-13 433	-11 377
Cash flows – investing activities		
Disposal of intangible assets and property, plant and equipment	73	2
Inflows from repayment of loan	-	17 000
Interest received on loans granted to related entities	-	356
Dividend received from jointly-controlled entities	-	31 562
Inflow from sale of shares	84	210
Acquisition of intangible assets and property, plant and equipment	-1 541	-1 104
Acquisition of shares in subsidiary	-111	-603
Net cash provided by (used in) investing activity	-1 495	47 423
Cash flows – financing activity		
Bank loan	3 542	1 143
Other than payments to owners, outflows under profit distribution	-261	-
Acquisition of own shares	-59	-
Repayment of bank loans	-	-700
Interest and commission paid	-185	-191
Payment of liabilities under lease	-5 073	-4 642
Net cash provided by (used in) financing activity	-2 036	-4 390
Total cash flows, net	-16 964	31 656
Increase/(decrease) in cash and cash equivalents net	-16 964	31 656
Cash and cash equivalents at the beginning of the period	36 880	14 394
Cash and cash equivalents at the end of the period	19 916	46 050
Including restricted cash	1 171	851

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

1. Establishment of the Parent Entity and Its Principal Activity

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

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 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 Management Board

In the period from January 1, 2023 to September 30, 2023, there were no changes in the composition of the Management Board of Prochem S.A.

Composition of the Supervisory Board of Prochem S.A.

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

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

In the period from January 1, 2023 to September 30, 2023, there was a change in the composition of the Company's Supervisory Board. Ordinary General Meeting of Prochem S.A. dismissed Mr. Andrzej Karczykowski from the position of member of the Supervisory Board. By resolution No. 25 of June 14, 2023, was appointed Mr. Paweł Bielski as a member of the Supervisory Board of the 11th joint term of office.

Employment

Average employment for three quarters of 2023 was 343 FTEs and in 2022 354 FTEs. Level of employment in persons as at September 30, 2023 was 350 and as at September 30, 2022 365.

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

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

Subsidiaries covered by full consolidation:

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

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

- ITEL Sp. z o.o. seated in Gdynia – 42.0% of share (18.7% share in voting rights and capitals holds directly Prochem S.A., and 23.3% holds Prochem RPI Sp. z o.o. subsidiary in 100%) – covered by impairment allowance – company is not conducting activity.

Consolidated entities 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, 6th 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 that can be purchased is 5,494 with a total nominal value of PLN 274,700. The purchase price of own shares of PKI Predom Sp. z o.o., was set at PLN 182 per share. The value of funds allocated to purchase own shares will not exceed PLN 999,908.

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

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

4. Adopted Accounting Principles and Statement of Compliance

Principles of presentation and Statement on the compliance and reliability of the prepared report

Interim condensed consolidated financial statements of the PROCHEM S.A. for the current period from January 1 to September 30, 2023, the comparable period from January 1 to September 30, 2022, together with selected explanatory notes, were subject to review by a statutory auditor.

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

The presented financial statements of the Capital Group of Prochem S.A. presents fairly and clearly the financial and property situation as at September 30, 2023 and the comparative data as at December 31, 2022, as well as the results of this activity for 9 months ended September 30, 2023 and comparative data for 9 months ended September 30, 2022.

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

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

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

Operational activity of the Parent Company and of 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, being characterized by a seasonality, which in a large extent depends on weather conditions. Weather conditions have an impact on the volume of the revenues generated in these segments. Lower revenues are achieved during the winter season, when weather conditions do not allow for execution of some construction work.

The duration of operation of individual entities of the Capital Group is not limited.

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

Significant accounting principles and changes to IFRS

Changes in accounting estimates and in 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 financial statements hereby, we applied the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of the Prochem S.A. Capital Group for the year ended 31 December 2022.

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

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

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

The impact of the method of accounting for materials on the financial result in the period from January 1 to September 30, 2023 amounted to PLN 52,000 - *increase in the costs of materials consumption* - the stock of materials on the Opening Balance included in the costs of the current period.

New Standards, interpretations and changes in published IFRS and their impact

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

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

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

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

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

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

5. Function currency and presentation currency of financial statements

Consolidated financial statements are presented in thousands of Polish Zloty ('zloty' or "PLN"), which is the functional currency and the presentation currency of the Parent Entity.

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. 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.

7. The Impact of the Military Conflict in Ukraine on the Group's Operations

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

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

8. Explanatory notes to interim condensed consolidated financial statements as at and for the period of 9 months ended 30 September 2023

Note 1 – Property, Plant and Equipment

	As at 30 September 2023	As at 31 December 2022
Property, plant and equipment, including:	13 881	14 769
- land	1 889	1 914
- buildings, premises and civil engineering objects	9 462	10 068
- machinery and equipment	971	1 287
- vehicles	1 196	1 009
- other PPE	363	491
Construction under progress	1 200	-
Total property, plant and equipment	15 081	14 769

Property, plant and equipment - ownership structure	As at 30 September 2023	As at 31 December 2022
a) own	4 954	5 435
b) use under rental, lease or other agreement , including :	10 127	9 334
- lease	9 119	8 301
- value of the right of perpetual usufruct	1 008	1 033
Balance sheet items of property, plant and equipment, total	15 081	14 769

The Group, pursuant to an agreement dated 23 July 2004 leases property consisting of 3 buildings with total area of 6 227.5 m², on a plot of 3 311 m² located in Warsaw at Emilia Plater 18 and Hoża 76/78. The duration of the contract from the date of its conclusion is 30 years.

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

	Change in property, plant and equipment for the period from January 1, 2023 to September 30, 2023	Change in property, plant and equipment for the period from January 1, 2022 to December 31, 2022
Gross value		
As at opening balance sheet	35 889	36 435
Increase (due to)	2 012	2 602
- acquisition of non-current assets	2 012	1 380
- reclassification of non-current assets	-	1 222
Decrease (due to)	-1 312	-3 148
- disposal of non-current assets	-271	-2 204
- liquidation of non-current assets	-381	-154
- updating of non-current assets	12	-
- changes – sale of subsidiary	-665	-739
- other changes	-7	-51
As at closing balance sheet	36 589	35 889

Depreciation and impairment

As at opening balance sheet – accumulated depreciation	21 120	20 678
Depreciation for the period (under)	388	442
- increase (accumulated depreciation)	1 504	2 060
- decrease under disposal of non-current assets	-264	-821
- decrease under liquidation of non-current assets	-354	-150
- changes – sale of subsidiary	-491	-646
- other changes	-7	-1
As at closing balance sheet - accumulated depreciation	21 508	21 120
Impairment of non-current assets	-	-
Net value of non-current assets as at the end of balance period	15 081	14 769

Note 2 – Investment property

	As at 30 September 2023	As at 31 December 2022
Buildings and constructions	7 867	8 152
Land	4 406	4 406
Total investment property	12 273	12 558

Investment property by titles	Changes in investment property for the period For the period from 1 January 2023 to 30 September 2023	Changes in investment property for the period for the period from 1 January 2022 to 31 December 2022
Investment property – land		
As at opening balance sheet:	4 406	2 382
- decrease under reclassification – assets held for sale	-	2 024
As at closing balance sheet	4 406	4 406
Investment property - buildings and constructions		
As at opening balance sheet:	8 152	8 216
a) decrease	-	-42
b) decrease – depreciation accrued	-285	-22
Total change	-285	-64
As at closing balance sheet	7 867	8 152
Write-down of investment property	-	-
Total investment property	12 273	12 558

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

Fair value as at September 30, 2023 does not significantly differ from fair value. The measurement at fair value as at December 31, 2022 was made by the independent valutors not associated with the Group. The valutors have the right qualifications to carry out valuations of land, buildings and structures, as well as current experience in such valuations in locations where are located assets of the Group.

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

	Level 1	Level 2	Level 3	Fair value as at 30.09.2023
	In PLN thousands	In PLN thousands	In PLN thousands	In PLN thousands
Investment property	-	-	12 273	12 273

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

Note 3 – Right-of-use Assets

	As at 30 September 2023	As at 31 December 2022
- buildings and constructions	25 483	27 807
- machinery and equipment	302	41
- vehicles	1 006	1 155
Assets, total	26 791	29 003

Description	Changes in right-of-use assets for the period from 1 January 2023 to 30 September 2023	Changes in right-of-use assets for the period from 1 January 2022 to 31 December 2022
Gross book value	45 550	36 832
Increase in value – new contracts concluded	363	380
Increase in gross value– updating of the value of contracts concluded	586	8 873
Decrease in value – ending of a contract	-582	-535
Total, gross book value	45 917	45 550
Increase (+) /decrease (-)		
Depreciation – as at opening balance sheet	-16 547	-12 410
Depreciation accrued	-3 155	-4 549
Decrease – ending of a contract	576	412
Total, accumulated depreciation	-19 126	-16 547
Total as at closing balance sheet		
Gross book value	45 917	45 550
Accumulated depreciation	-19 126	-16 547
Net book value as at closing balance sheet	26 791	29 003

Note 4 - Shares

Shares in other entities	As at 30 September 2023	As at 31 December 2022
In other entities	830	830
Shares, net value	830	830
Write-down of shares	6	6
Shares, gross value	836	836

Changes in shares	As at 30 September 2023	As at 31 December 2022
a) as at beginning of the period	830	830
b) as at the end of the period	830	830

Shares in other entities as at September 30, 2023

Description	Number of shares	Share in capital (%)	Carrying amount of shares held (in PLN thousands)
Kostrzyńsko Słubicka Specjalna Strefa Ekonomiczna	8 250	3,04	825
CeMat ⁷⁰ S.A.	39	0,04	5

Note 5 – Shares in Entities Valued Using the Equity Method

Shares in jointly-controlled entities and in associated entities	As at 30 September 2023	As at 31 December 2022
- Shares – net value	-	-
- Write-down of shares	1 011	1 011
Shares, gross value	1 011	1 011

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

Change in write-downs of shares in jointly-controlled entities and associated entities	As at 30 September 2023	As at 31 December 2022
As at the beginning of the period	1 011	1 011
As at the end of the period	1 011	1 011

Note 6 – Settlement of Deferred Income Tax

Changes in the values of provision and deferred income tax for three quarters of 2023 are shown in the table below.

Deferred tax assets	As at	As at
	30 September 2023	31 December 2022
As at the beginning of the period	10 495	5 193
Increase	12 267	9 839
Decrease	-8 419	-4 537
As at the end of the period	14 343	10 495

Provision under deferred income tax	As at	As at
	30 September 2023	31 December 2022
As at the beginning of the period	10 338	6 590
Increase	7 428	8 254
Decrease	-7 109	-4 506
As at the end of the period	10 657	10 338

	As at	As at
	30 September 2023	31 December 2022
Deferred tax assets	14 343	10 495
Provision under deferred income tax	-10 657	-10 338
Assets/(Provision) under deferred income tax	3 686	157

Presentation in the statement of financial position	As at	As at
	30 September 2023	31 December 2022
Deferred tax assets	5 509	2 096
Provision under deferred income tax	-1 823	-1 939
Asset/(Provision) under deferred income tax	3 686	157

Note 7 – Other Non-current Financial Assets

Other financial assets	As at	As at
	30 September 2023	31 December 2022
a) discounted security deposits securing bank guarantee lines	4 874	-
Total other non-current financial assets	4 874	-

Note 8 – Inventories

Inventories	As at	As at
	30 September 2023	31 December 2022
Materials	951	936
Semi-finished products and work-in-process	-	-
Goods	-	-
Total inventories	951	936
Write-down of inventories	557	557

Note 9 – Trade and Other Receivables

Trade and other receivables	As at 30 September 2023	As at 31 December 2022
Trade receivables	42 853	53 027
Write-down of trade receivables	5 005	4 728
Trade receivables net, including	37 848	48 299
- with repayment period up to 12 months	34 370	43 617
- with repayment period above 12 months	3 478	4 682
Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits	129	-
Other receivables	1 577	3 212
Write-down of other receivables	-	-
Other receivables net	1 577	3 212
Total receivables	39 554	51 511

To estimate the expected credit loss, the Group used a reserve matrix, which was developed based on observations of historical levels of aging and repayment of receivables. The Group performed an impairment test for assets - in the trade receivables item. As a result of the test, expected credit losses were estimated and included in other operating expenses. The write-off amount is PLN 194,000

Trade receivables with the remaining repayment period from the balance sheet date:	As at 30 September 2023	As at 31 December 2022
a) up to 1 month	21 298	28 779
b) above 1 month up to 3 months	11 039	13 314
c) above 3 months up to 6 months	746	1 997
d) above 6 months up to 1 year	36	1 341
e) above 1 year	3 519	2 710
f) receivables overdue	6 215	5 014
Total trade receivables (gross)	42 853	53 155
g) write-downs of trade receivables	5 005	4 856
Total trade receivables (net)	37 848	48 299

Age analysis of trade receivables overdue (gross)	As at 30 September 2023	As at 31 December 2022
a) up to 1 month	959	15
b) above 1 month up to 3 months	109	5
c) above 3 months up to 6 months	161	12
d) above 6 months up to 1 year	349	62
e) above 1 year	4 637	4 920
Total trade receivables, overdue, (gross)	6 215	5 014
f) write-downs of trade receivables overdue	5 005	4 856
Total trade receivables overdue (net)	1 210	158

Change in write-downs of trade and other receivables	As at 30 September 2023	As at 31 December 2022
As at the beginning of the period	4 856	4 261
a) increase (under)	194	625
- provision to receivables	194	497
- change of company status	-	128
b) decrease (under)	45	30
- use of write-offs created in previous periods	22	-
- release of provision to receivables	18	-
- other	5	30
Write-downs of current trade and other receivables at the end of the period	5 005	4 856

In most contracts signed by the Group, payment terms for services are set in the range of 14 to 60 days. As at September 30, 2023 and as at December 31, 2022 receivables include security deposits under statutory warranty for construction and assembly works, respectively in the amounts of PLN 2 189 and 1 342 thousand.

Note 10 – Other Financial Assets

Other financial assets by type :	As at 30 September 2023	As at 31 December 2022
a) other financial assets - security deposits securing bank guarantees	4 969	7 962
b) other	-	-
Total other financial assets	4 969	7 962

Note 11 – Other Assets

Other assets by type :	As at 30 September 2023	As at 31 December 2022
a) prepayments	1 608	4 784
- cost of property and personal insurance	405	338
- software maintenance cost	980	784
- subscriptions	11	9
- deferred costs	26	9
- land use fee	22	-
- other	-	3 644
- write-off for the Social Fund	164	-
Other assets	1 608	4 784

Note 12 – 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	inscribed	3 votes per 1 share	580	580	Cash	23-07-1991	01-10-1991
Founding	inscribed	-	6 067	6 067	Cash	23-07-1991	01-10-1991
Founding	bearer	-	1 810 104	1 810 104	Cash	23-07-1991	01-10-1991
B	inscribed	-	750	750	Cash	29-07-1993	01-01-1993
B	bearer	-	187 499	187 499	Cash	29-07-1993	01-01-1993
Total number of shares			2 005 000				
Total share capital				2 005 000			
Nominal value of 1 share = PLN 1,00							

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

As at the date of publication of these financial statements, there are 2,005,000 shares in trade, the total number of votes from these shares is 2,006,160.

Change of rights from the issuer's securities

In accordance with information/notifications received from shareholders, the Company informs that as at the date of hereby report the following shareholders hold at least 5% votes at the general meeting of shareholders:

Name of the shareholder	Number of shares held (in pcs.)	Number of votes held	% of votes in total number of votes	% of share capital
1. Steven Tappan	1 002 450	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, 2023, the Management Board of Prochem S.A. (hereinafter referred to as the Company) received information from Powszechne Towarzystwo Emerytalne PZU S.A. acting on behalf of the Otwarty Fundusz Emerytalny PZU "Złota Jesień" ("OFE PZU") about changing the share currently held in the total number of votes at the Company's general meeting. The change is a consequence of 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 of OFE, PZU held 284,916 shares of the Company, which constituted 12.10% of the share capital and had 284,916 votes from these shares, which constituted 12.09% of the total number of votes at the General Meeting.

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

2. On August 9, 2023, the Management Board of Prochem S.A. (hereinafter referred to as the Company) received information from the Company's shareholder, Mr. Steven Tappan, about a change in his share in the total number of votes at the Company's general meeting. The change is a consequence of 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 of the Company, which constituted 42.57% of the share capital and had 1,002,450 votes from these shares, which constituted 42.55% of the total number of votes at the General Meeting.

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

Note 13 - Retained Earnings

	As at 30 September 2023	As at 31 December 2022
Spare capital	73 639	75 701
Other reserve capitals	10 267	9 569
Profit for the previous period	-20	-603
Profit for the period	-14 176	23
Total	69 710	84 691

Note 14 – Current Bank Loans

	As at 30 September 2023	As at 31 December 2022
- loans	3 982	1 624

Information on incurred bank loans

Name of the bank	Registered office	Limit of the loan	Amount engaged	Repayment date	Terms of interest	Collateral
------------------	-------------------	-------------------	----------------	----------------	-------------------	------------

By Prochem S.A.

mBank S.A.	Warsaw	4 000	3 084	30.08.2024	The loan interest rate will be equal to the WIBOR ON PLN base rate plus a margin. Interest is charged annually on the amount of the loan used	The repayment of the Bank's receivables is secured with a blank bill of exchange issued by the Borrower together with the bill of exchange declaration
------------	--------	-------	-------	------------	---	--

By Elektromontaż Kraków S.A.

mBank S.A.	Warsaw	1 500	898	29.02.2024	WIBOR ON plus margin	Mortgage established on real estate located in Dębica + bill of exchange
ING BANK Śląski	Katowice	3 000	0	19.11.2023	WIBOR 1M plus margin	Mortgage established on the property at ul. Ludwinowska in Kraków and Zamoyski in Zakopane, + bill of exchange

Note 15 – Trade Payables

	As at 30 September 2023	As at 31 December 2022
a) to other entities	47 990	55 802
- for supplies and services, with maturity:		
- up to 12 months	47 990	55 802
- above 12 months	-	-
Total trade payables	47 990	55 802
Non-current liabilities under seized security deposits	6 625	8 761
Total trade payables	54 615	64 563

Note 16 – Amounts Owed to Recipients under Long-term Agreements

	As at 30 September 2023	As at 31 December 2022
- amounts due from recipients under contracts	47 568	41 194
Amounts due from recipients under long-term agreements	47 568	41 194

Amounts owed to recipients under long-term agreements

	As at 30 September 2023	As at 31 December 2022
- amounts owed to recipients under agreements	2 275	538
Amounts owed to recipients under long-term agreements	2 275	538

Wyszczególnienie

	As at 30 September 2023	As at 31 December 2022
The value of revenues according to agreements	636 097	1 611 306
The value of revenues invoiced	518 607	429 713
Planned liabilities under execution of agreements	781 571	1 510 892
Fulfilled obligations under agreements	527 007	420 027
Amounts due from recipients	47 568	41 194
Amounts owed to recipients	2 275	538

Note 17 – Other Liabilities

	As at 30 September 2023	As at 31 December 2022
a) to other entities	2 468	4 003
- under taxes, duties, insurance and other benefits	1 888	3 098
- under remuneration	527	656
- other (by type)	53	249
liabilities to employees	4	6
liabilities to shareholders	10	16
other	39	227
b) other non-current provisions	7 206	6 068
- provision for costs accrued to long-term contracts	5 467	1 377
- provision for costs	-	2 524
- cost of audit	-	69
- current provision for retirement benefit	246	301
- provision for unused annual leaves	1 493	1 797
Total other liabilities	9 674	10 071

Liabilities under lease

In PLN thousands	Future minimum lease payments	Interest	Current value	Future minimum lease payments	Interest	Current value
	In 2023	In 2023	In 2023	In 2022	In 2022	In 2022
Up to one year	299	33	332	382	-	382
1 to 5 years	504	18	522	268	-	268
Total	803	51	854	650	-	650

Liabilities under right-of-use

In PLN thousands	Future minimum lease payments	Interest	Current value	Future minimum lease payments	Interest	Current value
	In 2023	In 2023	In 2023	In 2022	In 2022	In 2022
Up to one year	3 644	2 093	5 737	3 493	1 910	5 403
1 to 5 years	13 927	5 197	19 124	14 461	5 127	19 588
Above 5 years	11 400	1 031	12 431	12 760	1 250	14 010
Total	28 971	8 321	37 292	30 714	8 287	39 001

Note 18 – Deferred Income

	As at 30 September 2023	As at 31 December 2022
- other	-	324
Deferred income at the end of the period, including:	-	324
Non-current liabilities	-	-
Current liabilities	-	324

Note 19 - Revenues from Sale of Services

Revenue from sale of services (type of service and type of activity)	Period ended 30 September 2023	Period ended 30 September 2022
- revenues from sale of service , including:	246 803	147 905
- from related entities	-	2 673

Revenues from sale (territorial structure)	Period ended 30 September 2023	Period ended 30 September 2022
Domestic market	246 803	147 905
- including from related entities	-	2 673

Revenues under contracts for construction services (general contracting) and other services are presented in Note 28. The gross amount due from ordering parties/buyers for the work under the contracts was presented in Note 16.

Information on major customers, whose total value of revenues from sales of services exceeds 10% of the total revenues of the Group for 2023 is included in Note 28 – Operating segments.

Note 20 - Revenues from Sale of Goods and Materials

Revenues from sale of goods and materials (type of goods and materials and type of activity)	Period ended 30 September 2023	Period ended 30 September 2022
Goods and materials	1 033	2 853
Revenues from sale of goods and materials (territorial structure)	Period ended 30 September 2023	Period ended 30 September 2022
Home market	1 033	2 853

Note 21 – Cost of Services

Costs by type	Period ended 30 September 2023	Period ended 30 September 2022
a) amortization and depreciation	5 133	5 073
b) consumption of materials and energy	17 624	28 760
c) outsourcing	199 390	81 601
d) taxes and levies	246	196
e) remuneration	32 335	28 632
f) social security and other benefits	6 818	6 591
g) other costs by type (by category)	3 913	3 289
- property and personal insurance	877	1 000
- business trips	1 243	690
- State Fund for Rehabilitation of Disabled Persons (PFRON)	414	369
- cars rental	238	236
- other	1 141	994
Total costs by type	265 459	154 142
Change in inventories, goods and prepayments	750	-3 773
General and administrative expenses (negative value)	-11 963	-11 345
Cost of services	254 246	139 024

Note 22 – Other Operating Income

	Period ended 30 September 2023	Period ended 30 September 2022
a) gain on disposal of non-financial non-current assets	38	543
b) reversal of impairment allowance (under)	34	-
- receivables	34	-
c) other, including:	6 736	327
- reimbursement of litigation costs	57	-
- received compensation , fines and penalties	6 474	221
- release of provision	38	75
- other	167	31
Total other operating income	6 808	870

Nota 23 – Other Operating Expenses

	Period ended 30 September 2023	Period ended 30 September 2022
a) impairment allowance (under)	193	264
- receivables	193	264
b) other, including:	662	3 196
- litigation costs	145	32
- actuarial valuation of employee benefits	2	-
- damages, penalties and fines paid	348	114
- donations	-	1
- provision to future liabilities	-	3 000
- other	167	49
Total other operating expenses	855	3 460

Note 24 – Financial Income

	Period ended 30 September 2023	Period ended 30 September 2022
a) interest under loans granted	-	356
- from jointly-controlled entities	-	356
b) other interest	546	262
- from other entities	546	262
c) surplus of positive exchange rate differences	-	2 327
d) other, including:	297	344
- income under discounted non-current liabilities	283	329
- other	14	15
Total financial income	843	3 289

Note 25 – Finance Costs

	Period ended 30 September 2023	Period ended 30 September 2022
a) interest on bank loans	174	188
b) interest on borrowings	-	3
b) other interest	1 780	1 195
- for other entities	43	104
- under lease	1 737	1 091
c) surplus of negative exchange rate differences	848	23
d) other, under :	1 977	954
- commission on bank guarantees	915	642
- commission on loans	11	-
- costs under discounted of financial assets	249	262
- costs under discounted non-current liabilities	696	-
- other costs	106	50
Total finance costs	4 779	2 363

Note 26 – Income Tax

Deferred income tax disclosed in the profit and loss account	Period ended 30 September 2023	Period ended 30 September 2022
- decrease (increase) due to arising and reversal of temporary differences	-3 530	558
Total deferred income tax	-3 530	558

Note 27 – Additional Disclosures to the Statement of Cash Flows

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

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

	Period ended 30 September 2023	Period ended 30 September 2022
Change in current receivables	5 958	27 898
Receivables as at 1 January	51 511	87 288
Amounts due from recipients under agreements as at January 1	41 194	14 996
Other assets as at 1 January	4 784	998
Receivables under seized security deposits as at January 1	2 431	231
Adjustment under sale of subsidiary in 2022	-280	-
Adjustment under sale of subsidiary in 2023	-3 937	-
Opening balance sheet after adjustments	95 703	103 513
Receivables as at September 30	39 554	51 459
Amounts due from recipients under agreements as at September 30	47 568	17 768
Other assets as at September 30	1 608	6 152
Receivables under seized security deposits as at September 30	1 211	236
Receivables under non-current assets	-196	-
Closing balance sheet after adjustments	89 745	75 615
Change in current liabilities except for current borrowings and special funds	-6 052	-46 363
Trade payables as at January 1	55 802	77 461
Other liabilities as at January 1	10 071	12 405
Amounts owed to recipients under agreements as at January 1	538	5 803
Liabilities under seized security deposits as at January 1	8 761	9 020
Other non-current liabilities as at January 1	153	143
Provision for current retirement benefits	-301	-228
Provisions for annual leaves	-1 797	-1 767
Provision for audit	-69	-48
Provision for current other costs	-9	-30
Adjustment of other non-current liabilities	-	-77
Investment commitments as at January 1	-84	-8
Liabilities to shareholders	-16	-15
Adjustment of Opening Balance Sheet under sale of subsidiary in 2023	-2 072	-
Opening Balance Sheet after adjustments	70 977	102 659
Trade payable as at September 30	47 990	38 745
Amounts owed to recipients under agreements as at September 30	2 275	652

Other liabilities as at September 30	9 674	10 924
Liabilities under seized security deposits as at September 30	6 625	7 766
Other non-current liabilities as at September 30	110	147
Provision for current retirement benefits	-246	-174
Provisions for annual leaves	-1 493	-1 536
Provision for audit	-	-76
Investment commitments as at September 30	-	-136
Liabilities to shareholders	-10	-16
Closing balance sheet after adjustment	64 925	56 296
Change in other adjustments as at balance sheet day	-1 828	-589
Change in deferred income - advances received	-	-495
Other , adjustment of non-current financial assets (security deposits securing bank guarantees)	-1 828	-94

Note 28 – Operating Segments

In the period from January 1, 2023 to September 30, 2023, there were no revenues from operating activity achieved outside Poland (Exports) in the analogous period of the previous year, the Group also did not achieve revenues from Exports.

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

- A Client involved in the production of chemical raw materials – sales revenue PLN 60 449 thousand, representing 24.5% of sales revenue, which were shown in the segment „General contracting” and „Design services and other engineering services”.
- A Client involved in the production of artificial fertilizers – sales revenue PLN 25 746 thousand, representing 10.4% of sales revenue, which were shown in the segment „General contracting”.
- Customer involved in the production of other basic inorganic chemicals – sales revenue PLN 64 633 thousand, representing 26.2% of sales revenue, which were shown in the segment „Design services and other engineering services”

Detailed data on the operations of Prochem S.A. Group in the individual segments are shown in the following tables. In 2023, the Group does not conduct activities in the field of IT services, therefore in the statement of activities for 2023 it does not present the segment - Other IT services.

The analysis and results of the Group in the individual reporting segments covered by the reporting is presented 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	For the period from 1.01.2023 to 30.09.2023	For the period from 1.01.2022 to 30.09.2022
Poland		247 836	150 758
Other countries		-	-
	19	247 936	150 758

Current data

For the period from 01.01.2023 to 30.09.2023	General contracting	Design services, other engineering services	Rental of construction equipment	Assembly of electrical installations	Rental of office space	Commercial activity	Other	Items not assigned	Total
Revenues to external clients	165 701	40 165	116	36 555	4 027	1 033	239	-	247 836
Total revenues of the segment	165 701	40 165	116	36 555	4 027	1 033	239	-	247 836
Result									
Result of the segment	-27 748	5 950	-20	1 600	895	165	-83	-	-19 241
Financial income								843	843
Finance costs								-4 779	-4 779
Financial revenues net								-3 936	-3 936
Profit sharing in entities valued using the equity method								-	-
Profit on other operating activities								5 953	5 953
Before tax profit								-17 224	-17 224
Income tax								-3 048	-3 048
Profit for the current period								-14 176	-14 176
Loss assigned to non-controlling interest								67	67
Profit for the period assigned to shareholders of the parent entity								-14 243	-14 243
Segment assets (related to activity)	22 751	10 022	-	15 300	29 757	258	-	-	78 088
Assets not assigned/unallocated (among others shares and other financial assets)								103 390	103 390
Total assets	22 751	10 022	-	15 300	29 757	258	-	103 390	181 478
Depreciation of property, plant and equipment	252	1 221	10	711	1 566	-	84	1 251	5 095
Amortization of intangible assets	-	-	-	20	-	-	-	18	38

Comparative data

For the period from 01.01.2022 to 30.09.2022	General contracting	Design services, other engineering services	Rental of construction equipment	Assembly of electrical installations	Rental of office space	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues to external clients	65 371	32 375	287	42 505	3 763	2 853	1 375	2 229	-	150 758
Total revenues of the segment	65 371	32 375	287	42 505	3 763	2 853	1 375	2 229	-	150 758
Result										
Result of the segment	-8 075	3 408	-194	282	862	109	991	270	-8	-2 355
Financial income									3 323	3 323
Finance costs									-2 363	-2 363
Financial revenues net									960	960
Profit sharing in entities valued using the equity method									5 371	5 371
Profit on other operating activities									-2 590	-2 590
Before tax profit									1 386	1 386
Income tax									682	682
Profit for the current period									704	704
Loss assigned to non- controlling interest									-424	-424
Loss assigned to non- controlling interest									280	280
Segment assets (related to activity)	22 480	9 154	95	18 937	20 715	-	149	47	-	71 577
Assets not assigned/unallocated (among others shares and other financial assets)									131 306	131 306
Total assets	22 480	9 154	95	18 937	20 715	-	149	47	131 306	202 883
Depreciation of property, plant and equipment	329	1 203	36	747	1 301	-	26	39	1 362	5 043
Amortization of intangible assets	-	-	-	13	-	-	-	-	17	30

Note 29 – Profit per One Share

Net profit per 1 share of the Parent Entity remaining in trade as at September 30, 2023 was PLN -7.10, and for the analogous period of 2022 was PLN 0.12.

Note 30 – Profit Sharing and Loss Coverage

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

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

Note 31 - Dividends

The Issuer did not pay dividend for 2022.

Note 32- Financial Instruments and Financial Risk Management

32.1 Categories and classes of financial instruments

Financial assets

(in PLN thousands)	Note	Categories of financial instruments	
		Loans, receivables and other	
Classes of financial instruments		30.09.2023	31.12.2022
Receivables from supplies and services	9	37 848	48 299
Cash		19 916	36 880
Other financial assets –security deposits securing bank guarantees	10	4 969	7 962
Total		62 733	93 141

Financial liabilities

30 September 2023

(in PLN thousands)	note	Categories of financial instruments	
		Financial liabilities measured at amortized cost	Total
Classes of financial instruments			
Loans	14	3 982	3 982
Amounts owed to recipients under agreements	16	2 275	2 275
Liabilities under supplies and services	15	54 615	54 615
Total		60 872	60 872

31 December 2022

(in PLN thousands)	note	Categories of financial instruments	
		Financial liabilities measured at amortized cost	Total
Classes of financial instruments			
Loans	14	1 624	1 624
Amounts owed to recipients under agreements	16	538	538
Liabilities under supplies and services	15	64 563	64 563
Total		66 725	66 725

Impairment losses on financial assets broken down into classes of financial instruments

(in PLN thousands)

	As at	
	30 September 2023	31 December 2022
Receivables from supplies and services	5 005	4 728
Total	5 005	4 728

Impairment losses on financial assets broken down into classes of financial instruments are presented in Note 9.

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

32.2. Financial Risk Management

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

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

Credit risk

The Group conducting business activities sells services to business entities with deferred payment, as a result of which there may be a risk of not receiving a payment from contractors for the services provided. In order to minimize the credit risk, the 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. 9.

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.

Liquidity risk related to the concentration of sales revenue

Prochem S.A. Capital Group in the period from 01.01.2023 to 30.09.2023 realized sales revenues in the amount of PLN 247,836 thousand. Clients whose sales revenue exceeded 10 % of sales revenue disclosed in the statement of profit and loss are listed in note 25.

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.

Interest Rate Risk

The Group is exposed to the risk of variability of cash flows under interest rate resulting from bank loans based on floating interest rate WIBOR ON and loans granted based on floating rate WIBOR 3M. The Group did not take into account the decline in interest rates in its analysis.

Capital risk

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

Note 33 – Related Party Transactions

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

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

From January 1, to September 30, 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 from January 1, 2023 to September 30, 2023 in the Issuer's enterprise:

- to the Members of the Parent Entity in total amount of PLN 1 933.0 thousand,
- to the Members of the Supervisory Board in total amount of PLN 370.7 thousand.

Remuneration paid to the Members of the Management Board and the Supervisory Board for three quarters of 2023 for performing functions in the Management Boards and the Supervisory Boards of companies belonging to the Capital Group was PLN 231.3 thousand.

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

Guarantees and sureties granted to related entities are presented in Note 34.

Reporting period

(in PLN thousand)

from 1 January 2022 to 30 September 2022

	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received	Finance costs – interest on loans
Jointly-controlled entities and associated entities	2 673	1 947	356	31 562	-

As at 30 September 2022

(in PLN thousands)

	Trade receivables	Receivables from loans granted	Trade payables
Jointly-controlled entities and associated entities	84	-	-

Note 34 – Collateral Granted and Received and Contingent Liabilities and Contingent Assets**Contingent liabilities**

Contingent liabilities - i.e. bank guarantees of good performance, of return of advance payment, of payment and of tender bonds, and bill of exchange sureties for good performance of the contract, which as at the balance sheet date amount to:

	As at 30 September 2023	As at 31 December 2022
Collateral granted		
Bank guarantee of good performance and statutory warranty	74 374	66 362
Guarantee of payment	1 163	1 163
Guarantee of return of advance payment	-	69
Total collateral granted	75 537	67 594
Total collateral granted and contingent liabilities	75 537	67 594

Contingent assets

The Group's contingent assets are bank guarantees of good performance, which as at the balance sheet date amount to:

	As at 30 September 2023	As at 31 December 2022
Collateral received		
Guarantee of return of advance payment	2 148	-
Bank guarantee of good performance	15 227	16 326
bill of exchange guarantees securing the terms of the contract	618	450
Total collateral received	17 993	16 776

Note 35 - Information on Significant Proceedings Pending Before the Court

Any proceedings did not occur.

Note 36 – Events after Balance Sheet Date

On October 10, 2023, the Issuer signed with its subsidiary Irydion Sp. z o. o. annex to the loan agreement. Pursuant to the annex, Irydion granted Prochem S.A. loans in the amount of EUR 540,000 thousand, which is the equivalent of PLN 2.5 million. The interest rate and repayment conditions have not changed.

On October 30, 2023 the Issuer signed with its subsidiary Irydion Sp. z o.o. annex to the loan agreement. Pursuant to the annex Irydion granted Prochem S.A. loan in the amount of EUR 550,000 thousand, which is the equivalent of PLN 2.5 million. The interest rate and repayment conditions have not changed.

Note 37 - Other Explanatory Notes to Financial Statements

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

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

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

The nominal value of 1 share is PLN 1.

In the period from January 1, 2023 to September 30, 2023, there were no changes in the number of shares held by managing and supervising persons.

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

Not applicable.

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

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

9. Statement of the Management Board of the Parent Company on the reliability of the prepared interim financial statements

The Management Board of Prochem S.A. the Parent Entity of the Prochem S.A. Capital Group declares that interim condensed consolidated financial statements of the Prochem S.A. Capital Group and interim separate financial statements of Prochem S.A. were prepared in compliance with requirements of IAS 34 „Interim financial reporting” and with the Regulation of the Minister of Finance dated March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Journal of Laws of 2018 item 757) („Regulation”) and it reflects in a true, reliable and clear manner the financial position of the Prochem S.A. Capital group as of September 30, 2023 and as of December 31, 2022, and results of its operations and cash flows for the period of 9 months ended September 30, 2023 and September 30, 2022.

.....
Michał Dąbrowski	Krzysztof Marczak	Marek Kiersznicki
<i>Member of the Management Board</i>	<i>Vice President of the Management Board</i>	<i>President of the Management Board</i>

10. Approval of financial statements for publication by the Management of the Parent Entity Prochem S.A.

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group for the period from January 1, 2023 to September 30, 2023 along with financial information of the Prochem S.A. company were approved for issue by the Management Board of Prochem S.A. the Parent Entity on November 14, 2023.

Financial information of PROCHEM S.A.

Separate statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	As at 30 September 2023	As at 31 December 2022
A s s e t s		
Non-current assets		
Property, plant and equipment	1 069	1 412
Intangible assets	20	38
Right-of-use assets	14 793	15 979
Shares	21 598	21 141
Deferred tax assets	5 367	1 945
Receivables under seized security deposits	947	1 877
Other financial assets	13 107	8 910
Total non-current assets	56 901	51 302
Current assets		
Inventories	-	194
Trade and other receivables	25 945	28 527
Receivables under current income tax	-	44
Amounts due from recipients under contracts	42 225	37 634
Other financial assets	4 969	7 962
Other assets	1 373	1 023
Cash and cash equivalents	2 728	8 571
Total current assets	77 240	83 955
Total assets	134 141	135 257
E q u i t y a n d l i a b i l i t i e s		
Equity		
Share capital	2 005	2 355
Shares	-	-350
Revaluation reserve	-486	-486
Retained earnings	47 372	56 223
Total equity	48 891	57 742
Non-current liabilities		
Liabilities under retirement and similar benefits	791	792
Non-current loans	10 378	950
Non-current liabilities under seized security deposits	6 903	8 800
Liabilities under lease	13 425	14 313
Total non-current liabilities	31 497	24 855
Current liabilities		
Current bank loans	3 084	-
Trade payables	40 018	42 981
Amounts owed to recipients under agreements	413	-
Liabilities under current income tax	-	-
Liabilities under lease	2 326	2 258
Other liabilities	7 912	7 421
Total current liabilities	53 753	52 660
Total liabilities	85 250	77 515
Total equity and liabilities	134 141	135 257

Separate statement of profit and loss
From 1 January 2023 to 30 September 2023
(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 September 2023	Period ended 30 September 2022
Revenues from sale, including :	202 957	100 709
Revenues from sale of services	202 422	98 256
Revenues from sale of goods and materials	535	2 453
Cost of sales, including :	-217 061	-97 260
Cost of services sold	-216 563	-94 882
Cost of merchandise and raw materials	-498	-2 378
Gross profit on sales	-14 104	3 449
General and administrative expenses	-7 537	-7 258
Other operating income	6 546	771
Other operating expenses	-317	-3 396
Results from operating activities	-15 412	-6 434
Financial income	6 781	35 081
Profit on liquidation of subsidiary	90	-
Finance expenses	-3 702	-1 703
Before tax profit	-12 243	26 944
Income tax expense :	-3 392	593
- current tax	30	35
- deferred tax	-3 422	558
Profit for the period	-8 851	26 351
Weighted average number of ordinary shares (in pcs.)	2 005 000	2 355 000
Profit (loss per one ordinary share (in PLN per one share))	-4.41	11.19

Separate statement of comprehensive income

	Period ended 30 September 2023	Period ended 30 September 2022
Profit for the period	-8 851	26 351
Other comprehensive income net	-	-
Total comprehensive income	-8 851	26 351
Weighted average number of ordinary shares (in pcs.)	2 005 000	2 355 000
Total comprehensive income per ordinary shares (in PLN per one share)	-4.41	11.19

Separate statement of changes in equity

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Own shares	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2023 to 30 September 2023					
As at the beginning of the period	2 355	-350	-486	56 223	57 742
Net profit of the given period	-	-	-	-8 851	-8 851
<i>Other comprehensive income (net)</i>	-	-	-	-	-
Total comprehensive income	-	-	-	-8 851	-8 851
Other changes, redemption of own shares	-350	350	-	-	-
As at the end of the period	2 005	-	-486	47 372	48 891
Reporting period from 1 January 2022 to 30 September 2022					
As at the beginning of the period	2 935	-580	-538	42 217	44 034
Net profit of the given period	-	-	-	26 351	26 351
<i>Other comprehensive income (net)</i>	-	-	-	-	-
Total comprehensive income	-	-	-	26 351	26 351
Other changes, redemption of own shares	-580	580	-	-	-
As at the end of the period	2 355	-	-538	68 568	70 385

Separate statement of cash flows

(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 September 2023	Period ended 30 September 2022
Cash flows – operating activities		
Before tax profit	-12 243	26 944
Total adjustments	-8 583	-38 810
Amortization and depreciation	2 634	2 927
Interest and profit sharing (dividends)	-4 245	-31 443
(Profit) loss on disposal of property, plant and equipment	-1	-541
(Profit) loss on disposal of shares	-90	-
Change in provisions	-157	-1 551
Change in inventories	194	244
Change in receivables and other assets	-1 305	26 843
Change in current liabilities, except for borrowings and loans	-3 716	-36 304
Other adjustments (including deferred income)	-1 897	1 015
Cash provided by (used in) operating activities	-20 826	-11 866
Income tax paid	-14	-138
Net cash provided by (used in) operating activities	-20 812	-11 728
Cash flows – investing activities		
Disposal of intangible assets and property, plant and equipment	4	613
Dividends received	5 098	31 562
Inflow from repayment of a loan	3 200	17 500
Inflows from interest on loans granted	766	573
Acquisition of intangible assets and property, plant and equipment	-229	-957
Outflows on financial assets in subsidiaries	-111	-
Loan granted	-2 750	-1 300
Net cash provided by (used in) investing activities	5 978	47 991
Cash flows – financing activities		
Bank loan incurred	3 084	-
Borrowing received from related entity	9 019	-
Payment of liabilities under lease	-3 094	-3 040
Interest and commission paid	-18	-
Net cash provided by (used in) financing activities	8 991	-3 040
Total cash flows, net	-5 843	33 223
Increase/(decrease) in cash and cash equivalents net	-5 843	33 223
Cash and cash equivalents at the beginning of the period	8 571	11 254
Cash and cash equivalents at the end of the period	2 728	44 477
Including restricted cash	490	48

Signatures of the Members of the Management Board

14.11.2023	Marek Kiersznicki	President
date	First name and surname	of the Management Board position	signature

14.11.2023	Krzysztof Marczak	Vice President
date	First name and surname	of the Management Board position	signature

14.11.2023	Michał Dąbrowski	Member
date	First name and surname	of the Management Board position	signature

Signature of the person entrusted with keeping the accounting books

14.11.2023	Barbara Auguścińska-Sawicka	Chief Accountant
date	First name and surname	position	signature