

PROCHEM S.A. CAPITAL GROUP

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

PROCHEM S.A.
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02-457 Warszawa
Polska

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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 2023 - 4.7005 PLN/EUR
- for 2022 - 4.6472 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:

- 4.6755 PLN/EUR as at 31 March 2023
- 4.6899 PLN/EUR as at 31 December 2022

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

Description	Reporting period ended 31 March		Reporting period ended 31 December	
	2023	2022	2023	2022
	In PLN thousands		In EUR thousands	
Consolidated statement of profit and loss				
Revenues from sale	60 512	57 321	12 874	12 335
Gross profit on sales	-329	6 199	-70	1 334
Results from operating activities	1 129	2 712	240	584
Before tax profit	297	3 212	63	691
Profit for the period assigned to:	152	2 030	32	437
Shareholders of the Parent Entity	168	1 879	36	404
Non-controlling interest	-16	151	-3	32
Profit/diluted profit (in PLN/EUR) per one ordinary share – assigned to shareholders of the Parent Entity	0.08	0.80	0.02	0.17
Consolidated statement of cash flows				
Net cash provided by (used in) operating activities	-2 132	1 474	-454	317
Net cash provided by (used in) investing activities	-189	1 026	-40	221
Net cash provided by (used in) financing activities	873	-413	186	-89
Total cash flows, net	-1 448	2 087	-308	449
	As at		As at	
Description	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	In PLN thousands		In EUR thousands	
Consolidated statement of financial position				
Total assets	218 605	205 395	46 755	43 795
Total non-current assets	59 573	61 768	12 742	13 170
Total current assets	159 032	143 627	34 014	30 625
Equity attributable to shareholders of the parent entity	89 878	90 060	19 223	19 203
Non-controlling interest	2 298	2 334	491	498
Total equity	92 176	92 394	19 715	19 701
Total non-current liabilities	40 091	40 476	8 575	8 630
Total current liabilities	86 338	75 525	18 466	15 464
Book value per one ordinary share (in PLN/EUR)- assigned to shareholders of the parent entity	44.83	44.92	9.59	9.58

Weighted average number of shares (in pcs.) 2 005 000 2 005 000 2 005 000 2 005 000

Weighted average number of shares (in pcs) as at March 31, 2022 was 2,355,000

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:

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Selected financial data of the Prochem S.A.

Description	Reporting period ended 31 March		Reporting period ended 31 December	
	2023	2022	2023	2022
	In PLN thousands		In EUR thousands	
<i>Separate statement of profit and loss</i>				
Revenues from sale	48 532	39 659	10 325	8 534
Gross profit on sales	-1 990	4 041	-423	870
Results from operating activities	1 185	2 057	252	443
Before tax profit	722	2 012	154	433
Profit for the period	585	868	124	187
Profit/diluted profit per one share (in PLN/EUR)	0.29	0.37	0.06	0.08
<i>Separate statement of cash flows</i>				
Net cash provided by (used in) operating activities	-5 987	2 045	-1 274	440
Net cash provided by (used in) investing activities	1 199	1 644	255	354
Net cash provided by (used in) financing activities	-1 062	-974	-225	-210
Total cash flows, net	-5 850	2 715	-1 245	584
Description	As at		As at	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	In PLN thousands		In EUR thousands	
<i>Separated statement of financial position</i>				
Total assets	150 445	135 257	32 177	28 840
Total non-current assets	48 952	51 302	10 470	10 939
Total current assets	101 493	83 955	21 707	17 901
Total equity	58 327	57 742	12 475	12 321
Total non-current liabilities	24 966	24 855	5 340	5 300
Total current liabilities	67 152	52 660	14 363	11 228

Book value per one ordinary share (in PLN/EUR)	29.09	28.80	6.22	6.14
Weighted average number of shares (in pcs.)	2 005 000	2 005 000	2 005 000	2 005 000
Weighted average number of shares (in pcs.) as at 31.03.2022 was 2,355,000 pcs.				

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Quarterly financial information of Prochem S.A.

***Interim condensed consolidated financial information the Capital Group of
PROCHEM S.A. prepared in accordance with the International Financial
Reporting Standards approved by the EU as at and for the period
ended March 31, 2023***

Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	Note No.	31 March 2023	31 December 2022
A s s e t s			
Non-current assets			
Property, plant and equipment	1	14 263	14 769
Intangible assets		68	81
Investment property	2	12 463	12 558
Right-of-use assets	3	28 293	29 003
Shares	4	830	830
Shares in equity-accounted investees	5	-	-
Deferred tax assets	6	1 949	2 096
Receivables under retained security deposits		1 707	2 431
Total non-current assets		59 573	61 768
Current assets			
Inventories	7	1 114	936
Trade and other receivables	8	60 710	51 511
Receivables under current income tax		551	360
Amounts due from recipients under contracts	15	51 791	41 194
Other financial assets	9	7 962	7 962
Other assets	10	1 472	4 784
Cash and cash equivalents		35 432	36 880
Total current assets		159 032	143 627
Total assets		218 605	205 395

Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

Equity and liabilities	Note No.	31 March 2023	31 December 2022
Equity			
Share capital	11	2 355	2 355
Own shares		-350	-350
Revaluation reserve		3 364	3 364
Retained earnings	12	84 509	84 691
Owner's equity		89 878	90 060
Non-controlling interest		2 298	2 334
Total equity		92 176	92 394
Non-current liabilities			
Provision to deferred income tax	6	1 939	1 939
Liabilities under retirement and similar benefits		2 122	2 134
Non-current liabilities under retained security deposits	14	9 002	8 761
Non-current liabilities under lease	16	26 859	27 489
Other non-current liabilities		169	153
Total non-current liabilities		40 091	40 476
Current liabilities			
Current bank loans	13	4 217	1 624
Trade payables	14	66 829	55 802
Amounts owed to recipients under contracts	15	2 437	538
Liabilities under current income tax		46	291
Current liabilities under lease	16	3 779	3 875
Other liabilities	16	8 706	10 071
Deferred income	17	324	324
Total current liabilities		86 338	72 525
Total liabilities		126 429	113 001
Total equity and liabilities		218 605	205 395
Book value – equity assigned to owners of the Parent Entity		89 878	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 the Parent Entity		44.83	44.92

Consolidated statement of profit and loss

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 31 March 2023	Period ended 31 March 2022
Revenues from sale, including:		60 512	57 321
Revenues from sale of services	18	59 993	56 614
Revenues from sale of goods and materials	19	519	707
Cost of sales, including:		-60 841	-51 122
Cost of services sold	20	-60 447	-50 452
Cost of merchandise and raw materials		-394	-670
Gross profit on sales		-329	6 199
General and administrative expenses	20	-3 988	-3 461
Other operating income	21	5 597	112
Other operating expenses	22	-151	-138
Results from operating activities		1 129	2 712
Financial income	23	233	224
Profit on sale of all or part of shares in subsidiary		-	-
Finance expenses	24	-1 065	-556
Profit sharing in associated entities		-	832
Before tax profit		297	3 212
Income tax expense:	25	145	1 182
- current tax		-	70
- deferred tax		145	1 112
Profit for the period		152	2 030

Profit for the period assigned to:

Shareholders of the Parent Entity	168	1 879
Non-controlling interest	-16	151
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	0.08	0.80

Consolidated statement of comprehensive income

	Period ended 31 March 2023	Period ended 31 March 2022
Profit for the period	152	2 030
Other comprehensive income net	-	-
Total comprehensive income	152	2 030

Total comprehensive income assigned to:

Shareholders of the Parent Entity	168	1 879
Non-controlling interest	-16	151
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	0.08	0.80

Consolidated statement of changes in equity

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Own shares	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the parent entity	Equity assigned to non-controlling interest	Total equity
Reporting period from 1 January 2023 to 31 March 2023							
As at the beginning of the period after the data had been brought to comparability	2 355	-350	3 364	84 691	90 060	2 334	92 394
Net profit of the given period	-	-	-	168	168	-16	152
<i>Other comprehensive income (net)</i>	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	168	168	-16	152
Other changes	-	-	-	-350	-350	-20	-370
As at the end of the period	2 355	-350	3 364	84 509	89 878	2 298	92 176

	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 31 March 2022							
As at the beginning of the period after the data had been brought to comparability	2 935	-580	6 513	90 270	99 138	3 636	102 774
Net profit of the given period	-	-	-	1 879	1 879	151	2 030
<i>Other comprehensive income (net)</i>	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	1 879	1 879	151	2 030
Other changes	-	-	-	-4	-4	-7	-11
As at the end of the period	2 935	-580	6 513	92 145	101 013	3 780	104 793

Consolidated statement of cash flows

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 March 2023	Period ended 31 March 2022
Cash flows – operating activities		
Before tax profit	297	3 212
Total adjustments	-1 993	- 2 179
Share in net profit of associated entities	-	-832
Amortization and depreciation	1 673	1 710
Interest and profit sharing (dividends)	637	144
(Profit) loss on disposal of property, plant and equipment	-	-12
Change in provisions	-175	-1 720
Change in inventories	-178	-75
Change in receivables and other assets	-15 788	27 935
Change in current liabilities except for loans and borrowings	11 899	-30 147
Other adjustments (including change in deferred income)	-61	1 013
Cash provided by (used in) operating activities	-1 696	1 033
Income tax paid	436	-246
Net cash provided by (used in) operating activities	-2 132	1 474
Cash flows – investing activities		
Disposal of intangible assets and property, plant and equipment	-	22
Interest received on loans to related entities	-	1 176
Acquisition of intangible assets and property, plant and equipment	-78	-172
Acquisition of shares in subsidiary	-111	-
Net cash provided by (used in) investing activities	-189	1 026
Cash flows – financing activity		
Bank loan	2 593	1 139
Interest and commission paid	-44	-47
Payment of liabilities under lease	-1 676	-1 505
Net cash provided by (used in) financing activity	873	-413
Total cash flows, net	-1 448	2 087
Increase/(decrease)in cash and cash equivalents net	-1 448	2 087
Cash and cash equivalents at the beginning of the period	36 880	14 394
Cash and cash equivalents at the end of the period	35 432	16 481
Including restricted cash	851	838

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

1. Establishment of the Parent Entity and Its 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.

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

Country of registration : Poland

Name change: was not

Address of conducting business activity: 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 1st, 2023 to March 31st 2023 there was no change in the composition of the Management Board of the Company Prochem S.A.

Composition of the Supervisory Board of Prochem S.A.

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

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

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

3. Employment

In the first quarter of 2023 average employment was 348 FTEs and in 2022 358 FTEs. Level of employment in persons as at 31 March 2023 was 358 and as at 31 March 2022 369.

4. 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 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%);
- PRO-INHUT Sp. z o.o. seated in Dąbrowa Górnicza- in restructuring – subsidiary indirectly (93.2%);
- PKI PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (91.6% of share in capital and profit, 91.6% in votes);
- Prochem Zachód Sp. z o.o. seated in Warsaw – subsidiary directly (80.0%);
- Elektromontaż Kraków S.A. seated in Krakowie – subsidiary indirectly (92.0%), including 57.49% of 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% share (18.7% of share in 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.

Subsidiaries covered by consolidation have been included in the consolidated financial statements from the date of including the control until the date of loss of control by the Parent Entity, and the jointly-controlled entities and associated entities from the date of exercising of joint control and exertion of significant influence.

Company Predom Projektowanie Sp. z o. o. with capital in the amount of PLN 53 thousand was excluded from consolidation. The company did not start operations.

The company Pro-Inhut Sp. z o. o. with its seat in Dąbrowa Górnicza is subject to arrangement proceedings.

5. Adopted accounting principles and statement of compliance

Statement on compliance and reliability of the prepared financial statements

Interim condensed consolidated financial statements of PROCHEM S.A. Capital Group for the first quarter of 2023 was prepared according to IAS 34 „Interim Reporting”, in the shape endorsed by the European Union and with Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent an information required by the law of a non-Member State (Official Journal of 2018 item 757) („Regulation”) and presents fairly and clearly the financial and property position as at March 31, 2023 and comparative data as at December 31, 2022, as well as the results of this activity for the 3-month period ended March 31, 2022 and comparative data for the 3-month period ended March 31, 2021 and cash flows for the three months ended March 31, 2023 and March 31, 2022.

Interim condensed financial statements of Prochem S.A. Capital Group as at 31 March 2022 were prepared at assuming to continue business operations as a going concern in the foreseeable future. As at

the date of approval of these interim condensed consolidated financial statements, there are no circumstances identified implying any threats to the continued activity of the Group. Duration of the Parent Company and entities comprising the Prochem S.A. Group is indefinite. Hereby interim condensed consolidated financial statements, with the exception of the consolidated cash flow statement, have been prepared on the accrual basis.

Principle of presentation

Interim condensed consolidated financial statements hereby do not contain information and disclosures required in full financial statements and should be read in conjunction with the consolidated financial statements for the financial year ended 31 December 2022.

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

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

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

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

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 consolidated 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.

New standards, interpretations and changes in published IFRS, and its impact

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

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

6. Functional currency and presentation currency of the financial statements

The consolidated financial statements are presented in thousands of Polish zlotys ("zloty" or "PLN"), which are the functional currency of the Parent Entity the reporting currency.

The financial result and financial situation of the Delegation Office are translated using the following procedures:

- finansowe assets and liabilities are translated at the closing rate on the date of the statement of financial position,
- revenues and costs are translated at the average exchange rate on the transaction date, and
- the resulting exchange rate differences are recognized in the statement of profit and loss.

7. Foreign currency transactions

Transactions in foreign currencies are initially recognized at the NBP exchange rate applicable on the transaction date. Carrying amounts of assets and liabilities expressed in foreign currency are valued at the average exchange rate of the National Bank of Poland as of the balance sheet date. Profits and losses arising from the settlement of these transactions and the balance sheet valuation of assets and liabilities expressed in foreign currency are recognized in the statement of profit and loss.

8. 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 Group 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 financial statements, the Group of Prochem S.A. sees no threat to continue operations as a going concern for the Group.

9. Explanatory notes to interim consolidated financial statements as at and for the period of three months ended 31 March 2023

Note 1 - Property, Plant and Equipment

	31 March 2023	31 December 2022
Property, plant and equipment, including:	14 263	14 769
- land	1 906	1 914
- buildings, premises and civil engineering objects	9 866	10 068
- machinery and equipment	1 141	1 287
- vehicles	865	1 009
- other PPE	485	491
Total property, plant and equipment	14 263	14 769

Property, plant and equipment – ownership structure	31 March 2023	31 December 2022
a) own	5 150	5 435
b) under rental, lease nor other agreement, including:	9 113	9 334
- lease agreement	8 088	8 301
- value of the right of perpetual usufruct	1 025	1 033
Total balance sheet items of property, plant and equipment	14 263	14 769

The Group, pursuant to an agreement dated 23 July 2004 leases property consisting of 3 buildings with an 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 March 31, 2023 does not differ materially from the fair value. The fair value as at December 31, 2022 was determined on the basis of a valuation prepared by independent experts not related to the Group. The appraisers are qualified 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 1 January 2022 to 31 March 2022	Change in property, plant and equipment for the period from 1 January 2022 to 31 March 2022.
Gross value		
As at opening balance sheet	35 889	36 435
Increase (due to)	160	2 602
- acquisition of non-current assets	160	1 380
- revaluation of non-current assets	-	1 222
Decrease (due to)	-776	-3 148
- disposal of non-current assets	-5	-2 204
- liquidation of non-current assets	-106	-154
- change – sale of subsidiary	-665	-739
- change	-	-51
As at closing balance sheet	35 273	35 889
Depreciation and impairment		
As at opening balance sheet – accumulated depreciation	21 120	20 678
Depreciation for the period (under)	-110	464
- increase (accrued depreciation)	503	2 060
- decrease under disposal of non-current assets	-29	-821
- decrease under liquidation of non-current assets	-78	-150
- changes – sale of subsidiary	-506	-646
- other changes	-	-1
As at closing balance sheet – accumulated depreciation	21 010	21 120
Impairment of non-current assets	-	-
Net value of non-current assets as at the end of balance period	14 263	14 769

Note 2 – Investment Property

	31 March 2023	31 December 2022
Buildings and constructions	8 057	8 152
Land	4 406	4 406
Total investment property	12 463	12 558

Investment property by titles	Change in investment property for the period from 1 January 2023 to 31 March 2023	Change in investment property for the period from 1 January 2022 to 31 March 2022
Investment property – land		

As at opening balance sheet:	4 406	2 382
- decrease under reclassification – assets held for sale	-	-
- increase due to measurement at fair value	-	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
Change due to:		
- decrease	-	-42
- decrease – depreciation accrued	-95	-22
Total change	-95	-64
As at closing balance sheet	8 057	8 152
Write-down of investment property	-	-
Total investment property	12 463	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, whereby not less frequently than every two years.

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

Details concerning investment property and information on the hierarchy of fair values as at 31 March 2023.

Group	Fair value (in PLN thousands)	
	31 March 2023	31 December 2022
	Level 3	Level 3
Land, including the right of perpetual usufruct	4 406	4 406
Buildings and constructions	8 057	8 152
Total	12 463	12 558

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

Note 3 – Right-of-use Assets

	As at 31 March 2023	As at 31 December 2022
- buildings and constructions	27 166	27 807
- machinery and equipment	32	41
- vehicles	1 095	1 155
Total assets	28 293	29 003

Description	Change in right-of-use assets for the period from 1 January 2023 to 31 March 2023	Change in right-of-use assets for the period from 1 January 2022 to 31 March 2022
Gross book value	45 550	36 832
Increase in value – new contracts concluded	356	380
Increase in gross value– updating of the value of contracts concluded	-	8 873
Decrease in value – the end of the contract	-47	-535

Total, book value gross	45 859	45 550
Increase (+) /decrease (-)		
Depreciation – as at opening balance sheet	16 547	12 410
Depreciation accrued	1 062	4 549
Decrease – the end of the contract	-43	-412
Total accumulated depreciation	17 566	16 547
Total as at closing balance sheet		
Gross book value	45 859	45 550
Accumulated depreciation	-17 566	-16 547
Net book value as at closing balance sheet	28 293	29 003

Note 4 - Shares

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

Change in shares	31 March 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 31.03.2023

Description	Number of shares	Share in capital (%)	Carrying amount of the 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	31 March 2023	31 December 2022
- Shares – net value	-	-
- write-downs of shares	1 011	1 011
Shares, gross value	1 011	1 011

Change in shares in jointly-controlled entities and in associated entities	31 March 2023	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 current year	-	4 979
c) decrease (due to)	-	-44 118
- dividend paid	-	-31 562
- change of the status of the company from an associate to a subsidiary	-	-12 556

d) 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	31 March 2023	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 values of provision and deferred tax assets for the first quarter of 2023 are shown in the table below.

Deferred tax assets	As at 31 March 2023	As at 31 December 2022
As at beginning of the period	10 495	5 139
Increase	7 348	9 839
Decrease	-7 659	-4 537
As at the end of the period	10 184	10 495

Provision under deferred income tax	As at 31 March 2023	As at 31 December 2022
As at beginning of the period	10 338	6 590
Increase	5 823	8 254
Decrease	-5 987	-4 506
As at the end of the period	10 174	10 338

	As at 31 March 2023	As at 31 December 2022
Deferred tax assets	10 184	10 495
Provision under deferred tax assets	-10 174	-10 338
Assets/(Provision) under deferred income tax	10	157

Presentation in the statement of financial position	As at 31 March 2023	As at 31 December 2022
Deferred tax assets	1 949	2 096
Provision under deferred income tax	-1 939	-1 939
Assets/(Provision) under deferred income tax	10	157

Note 7 – Inventories

Inventories	31 March 2023	31 December 2022
Materials	1 114	936
Semi-finished products and work-in-process	-	-
Goods	-	-
Total inventories	1 114	936
Write-downs of inventories	557	557

Note 8 - Trade and Other Receivables

Trade and other receivables	31 March 2023	31 December 2022
Trade receivables	58 464	53 027
Write-down of trade receivables	4 833	4 728
Trade receivables net, including	53 631	48 299
- with repayment period up to 12 months	48 703	43 617
- with repayment period above 12 months	4 864	4 682
Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits	10	-
Other receivables	7 069	3 212
Write-down of other receivables	-	-
Other receivables net	7 069	3 212
Total receivables	60 710	51 511

For the purpose of estimating the expected credit loss, the Group used a provision matrix, which was developed based on observations of historical aging and repayment levels. The Group 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 31.03.2023 amounts to PLN 60 710 thousand, and as at 31.12.2022 PLN 51 511 thousand. In the majority of contracts signed by the Group, time of payment for services was established in the range from 14 to 60 days. As at 31 March 2023 and as at 31 December 2022 trade receivables include security deposits under statutory warranty for construction and assembly works respectively in the amount of PLN 4,864 thousand and PLN 4,682 thousand.

Change in write-downs of trade and other receivables	31 March 2023	31 December 2022
As at the beginning of the period	4 728	4 261
a) increase (under)	128	497
- provision to receivables	128	497
b) decrease (under)	23	30
- payment received	-	-
- use of write-downs created in previous periods	22	-
- resolving of write-downs	1	30
Write-downs of current trade and other receivables at the end of period	4 833	4 728

Note 9 - Other Financial Assets

Other financial assets by type:	31 March 2023	31 December 2022
a) other financial assets - security deposits securing bank guarantee	7 962	7 962
b) other	-	-
Total financial assets	7 962	7 962

Note 10 - Other Assets

Other assets by type:	31 March 2023	31 December 2022
a) prepayments	1 472	4 784
- cost of property and personal insurance	261	338
- software maintenance cost	631	784
- subscriptions	17	9
- write-off to the Social Fund	464	-
- deferred costs	52	9
- land use fee	43	-
- other	4	3 644
Total other assets	1 472	4 784

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

Note 11 - Share Capital

SHARE CAPITAL (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 KDPW code PLPRCHM00055	3 votes per 1 share	580	580	Cash	23-07-1991	01-10-1991
Founding	non-preferred registered. KDPW PLPRCHM00022	-	6 816	6 816	Cash	23-07-1991	01-10-1991
Founding	bearer KDPW PLPRCHM00014	-	1 810 104	1 810 104	Cash	23-07-1991	01-10-1991
B	non-preferred registered KDPW PLPRCHM00022	-	750	750	Cash	29-07-1993	01-01-1993
B	bearer KDPW PLPRCHM00014	-	536 750	536 750	Cash	29-07-1993	01-01-1993
Total number of shares			2 355 000				
Total share capital				2 355 000			
Nominal value of 1 share = PLN 1.00							

The Management Board informs that as at the date of publication of this report, the Company holds a total of 350,000 own shares purchased for redemption, constituting 14.86% of the Company's share capital. These shares correspond to 350,000 votes at the General Meeting of the Company, which constitutes 14.85% of votes at the General Meeting of the Company.

As at the date of publication of these financial statements, 2,005,000 shares are in trade, the total number of votes attached to 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	1 000 000	1 000 000	42.44	42.46
2. Otwarty Fundusz Emerytalny PZU „Złota Jesień”	284 916	284 916	12.09	12.10

Change of rights from shares of Prochem S.A. - from the date of publication of the consolidated financial statements of the Capital Group of Prochem S.A. there was no change in the number of shares giving shareholders at least 5% of votes at the general meeting of shareholders.

Note 12 - Retained Earnings

	31 March 2023	31 December 2022
Spare capital	75 367	75 701
Other reserve capital	9 569	9 569
Profit (loss) of the previous period	-579	-603
Profit (loss) of the period	152	23
Total	84 509	84 691

Note 13 - Current Bank Loans

	31 March 2023	31 December 2022
- loans	4 217	1 624

Information on bank loans incurred

Name of the bank	Registered office	Limit of the loan	Amount engaged	Repayment date	Terms of interest	Collateral
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By Elektromontaż Kraków S.A.

mBank S.A.	Warsaw	1 500	669	29.02.2024	WIBOR 1M + margin	Mortgage + promissory note
ING BANK Śląski	Katowice	3 000	2 364	19.11.2022	WIBOR for 1-month deposits in PLN + margin	Mortgage + promissory note

By Pro-Inhut sp. z o.o.

ING Bank Śląski S.A.	Dąbrowa Górnicza	734	735	17.05.2021	WIBOR for 1-month deposits in PLN + margin	Bank BGK guarantee based on a portfolio agreement. A promissory note in blank..
ING Bank Śląski S.A.	Sosnowiec	400	398	30.07.2021	WIBOR for 1-month deposits in PLN + margin	Bank BGK guarantee based on a portfolio agreement. A promissory note in blank..
ING Bank Śląski S.A.	Sosnowiec	200	51	30.07.2021	WIBOR for 1-month deposits in PLN + margin	Bank BGK guarantee based on a portfolio agreement. A promissory note in blank..

Note 14 - Trade Payables

	31 March 2023	31 December 2022
a) to associated entities and jointly –controlled entities	-	-
- for supplies and services, with maturity:	-	-
- up to 12 months	-	-
b) to other entities	66 829	55 802
- for supplies and services, with maturity:	66 829	55 802
- up to 12 months	66 829	55 802
- above 12 months	-	-
Total trade payables	66 829	55 802
Non-current liabilities under seized security deposits	9 002	8 761
Total trade payables	75 831	64 563

Note 15 - Amounts due from Customers and Owed to Customers under Long-term Agreements

	31 March 2023	31 December 2022
- amounts due from recipients under agreements	51 791	41 194
Amounts due from recipients under long-term agreements	51 791	41 194

Amounts owed to recipients under non-current agreements

	31 March 2023	31 December 2022
- amounts owed to recipients under agreements	2 437	538
Amounts owed to recipients under long-term agreements	2 437	538

Description	As at 31 March 2023	As at 31 December 2022
The value of revenues according to agreements	1 602 826	1 611 306
The value of revenues invoiced	471 214	429 713
Planned liabilities under execution of agreements	1 503 455	1 510 892
Fulfilled obligations under agreements	448 881	420 027
Amounts due from recipients	51 791	41 194
Amounts owed to recipients	2 437	538

Note 16 - Other Liabilities

	31 March 2023	31 December 2022
a) to other entities	3 923	4 003
- under taxes, duties, insurance and other benefits	3 077	3 098
- under remuneration	596	656
- other (by type)	250	249
liabilities to employees	6	6
liabilities to shareholders	16	16
liabilities under lease	-	-
Other	228	227
b) other current provisions	4 783	6 068
- provision to costs accrued to the previous year, relating to long –term contracts	1 465	1 377

- provision to costs	1 305	2 524
- cost of audit	38	69
- current provision for retirement benefit	264	301
- provision to unused annual leaves	1 711	1 797
Total other liabilities	8 706	10 071

Liabilities under lease

	Future minimum lease payments	Interest	Current value	Future minimum lease payments	Interest	Current value
In PLN thousands	2023	2023	2023	2022	2022	2022
Up to one year	230	-	230	382	-	382
1 to 5 years	248	-	248	268	-	268
Total	478	-	478	650	-	650

Liabilities under right-of-use

	Future minimum lease payments	Interest	Current value	Future minimum lease payments	Interest	Current value
In PLN thousands	2023	2023	2023	2022	2022	2022
Up to one year	3 549	1 857	5 406	3 493	1 910	5 403
1 to 5 years	13 326	4 896	18 222	14 461	5 127	19 588
Above 5 years	13 285	1 424	14 709	12 760	1 250	14 010
Total	30 160	8 177	38 337	30 714	8 287	39 001

Note 17 - Deferred Income

	31 March 2023	31 December 2022
- advances received	-	-
- amounts owed to ordering parties under long-term contracts	-	-
- other	324	324
Deferred income at the end of the period , including:	324	324
Non-current liabilities	-	-
Current liabilities	324	324

Note 18 - Revenues from Sale of Services

Revenues from sale os services (type of service and type of activity)	Period ended 31 March 2023	Period ended 31 March 2022
- revenues from sale of services, including:	59 993	56 614
- from related entities	-	423
Revenues from sale (territorial structure)	Period ended 31 March 2023	Period ended 31 March 2022
Home market	59 993	56 614

- including from related entities	-	423
Exports	-	-

Revenues under contracts for construction services (general contracting) and other services are presented in Note 27. The gross amount due from ordering parties/recipients for the work under the contracts was presented in Note 15.

Information on major customers, whose total amount of revenues from sales exceeds 10% of the total revenues of the Group for 2023 is included in Note 27.

Note 19 - 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 31 March 2023	Period ended 31 March 2022
Goods and materials	519	707

Revenues from sale of goods and materials (territorial structure)	Period ended 31 March 2023	Period ended 31 March 2022
Home market	519	707

Note 20 – Cost of Services Sold

Costs by type	Period ended 31 March 2023	Period ended 31 March 2022
a) amortization and depreciation	1 673	1 710
b) consumption of materials and energy	4 163	7 665
c) outsourcing	45 988	36 265
d) taxes and levies	96	62
e) remuneration	10 427	9 085
f) social security and other benefits	2 592	2 288
g) other costs by type (by category)	1 025	991
- property and personal insurance	215	271
- business trips	157	179
- PFRON (State Fund for Rehabilitation of Disabled Persons)	135	120
- cars rental	101	59
- other	417	362
Total costs by type	65 964	58 066
Change in inventory, goods, and prepayments	-1 529	-4 153
General and administrative expenses (negative value)	-3 988	-3 461
Cost of services sold	60 447	50 452

Note 21 - Other Operating Income

	Period ended 31 March 2023	Period ended 31 March 2022
a) gain on disposal of non-financial non-current assets	-	14
b) reversal of impairment allowance (under)	-	-
- receivables	-	-
c) other, including:	5 597	98
- reimbursement of litigation costs	7	-
- received compensation, fines, and penalties	5 540	24
- release of provision	24	70

- pozostałe	26	4
Total other operating income	5 597	112

Note 22 - Other Operating Expenses

	Period ended 31 March 2023	Period ended 31 March 2022
a) Loss on disposal of non-financial non-current assets	-	2
b) write-down (of)	-	-
- receivables	-	-
c) other, including:	151	136
- cost of litigation	10	31
- actuarial valuation of employee benefits	1	1
- paid damages, penalties and fines	84	102
- write off bad debts	-	-
- impairment of property, plant and equipment	-	-
- other	56	2
Total other operating expenses	151	138

Note 23 - Financial Income

	Period ended 31 March 2023	Period ended 31 March 2022
a) interest on loans granted	-	176
- from jointly-controlled entities	-	176
b) other interest	190	2
- from other entities	190	2
c) surplus of positive exchange rate differences	16	22
d) other, including:	27	24
- other	27	24
Total financial income	233	224

Note 24 - Finance Expenses

	Period ended 31 March 2023	Period ended 31 March 2022
a) interest on bank loans	40	46
b) other interest	613	282
- for other entities	20	9
- under lease	593	273
c) surplus of negative exchange rate difference	40	11
d) other, under :	372	217
- commission on bank guarantees	328	192
- commission on loans	4	1
- other expenses	40	24
Total finance expenses	1 065	556

Note 25 - Income Tax

Deferred income tax disclosed in statement of profit and loss	Period ended 31 March 2023	Period ended 31 March 2022
- decrease (increase) under arising and reversal of temporary differences	145	1 112
Total deferred income tax	145	1 112

Note 26 – Additional Disclosures to the Statement of Cash Flows

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

Investing activities include turnover in the scope of investments in property, plant and equipment, intangible assets, capital investments and securities held for trading.

Received dividends are presented in cash flows from investing activities. Loans granted and repaid with interest due are presented in cash flows from investing activities.

Interests and commissions paid on loans and borrowings incurred as well as lease are shown in cash flows from financial activities. Financial activity also includes received and repaid bank loans and borrowings.

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

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

	Period ended 31 March 2023	Period ended 31 March 2022
Change in current receivables	27 935	27 935
Receivables as at 1 January	51 511	87 288
Amounts due from recipients under contracts as at 1 January	41 194	14 996
Other assets as at 1 January	4 784	998
Receivables under seized security deposits as at 1 January	2 431	231
Receivables for sold non-current financial assets	-280	-
Opening balance sheet after adjustments	99 640	103 513
Receivables as at 31 March	60 710	56 992
Amounts due from recipients under contracts as at 31 March	51 791	16 978
Other assets as at 31 March	1 472	1 372
Receivables under seized security deposits as at 31 March	1 707	236
Receivables for sold non-current financial assets	-252	-
Closing balance sheet after adjustments	115 428	75 578
Change in current liabilities except for current borrowings and special funds	11 899	-30 148
Trade payables as at 1 January	55 802	77 461
Other liabilities as at 1 January	10 071	12 405
Amounts owed to suppliers under contracts as at 1 January	538	5 803
Liabilities under seized security deposits as at 1 January	8 761	9 020
Other non-current liabilities as at 1 January	153	-
Provision to current retirement benefits	-301	-228
Provision to annual leaves	-1 797	-1 767
Provision to audit	-69	-48
Provision to current other costs	-9	-1 579
Investment commitments as at 1 January	-84	-8
Liabilities to shareholders	-16	-15
Opening balance sheet after adjustments	73 049	101 044
Trade payables at as 31 march	66 829	55 087
Amounts owed to recipients under contracts as at 31 March	2 437	2 300
Other liabilities as at 31 March	8 706	6 671
Liabilities under seized security deposits as at 31 March	9 002	9 348
Other non-current liabilities as at 31 March	169	-
Provision to current retirement benefits	-264	-196
Provisions to annual leaves	-1 711	-1 706

Provision to audit	-38	-32
Provision to current other costs	-	-
Investment commitments as at 31 March	-166	-560
Liabilities to shareholders	-16	-16
Closing balance sheet after adjustments	84 948	70 896
Change in other adjustments as at balance sheet day	-61	1 013
Change in deferred income – advances received	-	115
Other	-61	898

Note 27 – 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 at the level of operating result.

The activities of the companies from Capital Group and the Issuer, for the managing purposes were divided into seven 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 installation, lease of office space, commercial activity and other IT services.

Segment assets include all assets used by a segment, consisting primarily of receivables, inventories and property, plant and equipment less provision and impairment.

Some assets in the joint use are assigned to these segments based on reasonable weights.

Information on major customers of the Group of Prochem, which share in the sales revenue included in consolidated statement of profit and loss for the first quarter of 2023 exceeded 10% of the total sales revenue:

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

- A Client involved in the production of chemical raw materials – sales revenue PLN 27 186 thousand, which represents 45% share in sales revenue, which was shown in the segment „General contracting” and „Design services and other engineering services”.
- A client involved in the production of fertilizers - sales revenue PLN 8 590 thousand, which represents 14% share in sales revenue, which was shown in the segment „General contracting”.
- A client involved in the production of other basic inorganic chemicals - sales revenue PLN 7 132 thousand, which represents 12% share in 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	For the period from 1.01.2023 to 31.03.2023	For the period from 1.01.2022 to 31.03.2022
Poland	18and 19	60 512	57 321
Other countries		-	-
		60 512	57 321

Current data

For the period from 01.01.2023 to 31.03.2023.	General contracting	Design services, other engineering services	Rental of construction equipment	Assembly of electrical installation	Rental of office space	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues for external clients	37 489	12 079	101	8 925	1 322	519	-	77	-	60 512
Total revenues of the segment	37 489	12 079	101	8 925	1 322	519	-	77	-	60 512
Result										
Result of the segment	-6 068	1 543	-2	85	158	124	-	-157	-	-4 317
Financial income									233	233
Finance costs									-1 065	-1 065
Net financial income									-832	-832
Share in the profit of entities valued using the equity method									-	-
Profit on other operating activities									5 446	5 446
Before tax profit									297	297
Income tax									145	145
Profit for the current period									152	152
Loss assigned to non-controlling interest									-16	-16
Profit for the period assigned to shareholders of the parent entity									168	168
Segment assets (related to activity)	35 862	11 101	136	12 668	29 805	-	-	-	-	89 572
Assets not assigned/unallocated (among others shares and other financial assets)									129 033	129 033
Total assets	35 862	11 101	136	12 668	29 805	-	-	-	129 033	218 605
Depreciation of property, plant and equipment	89	361	7	229	522	-	-	28	424	1 660
Amortization of intangible assets	-	-	-	7	-	-	-	-	6	13

Comparative data

For the period from 01.01.2022 to 31.03.2022.	General Contracting	Design services, other engineering services	Rental of construction equipment	Assembly of electrical installation	Rental of office space	Maintenance	Commercial activity	Other IT services	Other	Items not assigned
Revenues for external clients	28 295	10 811	127	14 487	1 222	707	995	677	-	57 321
Result of the segment	28 295	10 811	127	14 187	1 222	707	995	677	-	57 321
Result										
Profit (loss) of the segment	-1 075	3 273	-50	107	196	37	336	-86	-	2 738
Financial income									224	224
Finance costs									-556	-556
Net financial income									-332	-332
Share in profit of entities valued using the equity method									-	-
Profit on other operating activities									-26	-26
Before tax profit									3 212	3 212
Income tax									1 182	1 182
Profit for the current period									2 030	2 030
Loss assigned to non-controlling interest									151	151
Profit for the period assigned to shareholders of the parent entity									1 879	1 879
Segment assets (related to activity)	41 179	7 099	684	17 814	21 921	-	-	152	-	88 849
Assets not assigned/unallocated (among others shares, and other financial assets)									126 381	126 381
Total assets	41 179	7 099	684	17 814	21 921	-	-	152	126 381	215 230
Depreciation of property, plant and equipment	105	426	18	247	434	-	13	15	442	1 700
Amortization of intangible assets	-	-	-	4	-	-	-	-	6	10

Note 28 - Profit per One Share

Net profit per 1 share in trade as at balance sheet day 31 March 2023 was PLN 0.08, and in 2022 was PLN 0.80.

Note 29 - Profit Share and Loss Coverage

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

Proposed distribution of the Parent Entity's net profit for 2022

The Management Board of the Parent Company proposes to allocate the net profit for 2022 in the amount of PLN 26 255 776.50 to spare capital.

Note 30 - Dividends

The Issuer did not pay dividend for 2022.

Note 31- Financial Instruments and Financial Risk Management

31.1 Categories and classes of financial instruments

Financial assets

(in PLN thousands)	Note No.	Categories of financial instruments	
		Loans, receivables and other	
Classes of financial instruments		31.03.2023	31.12.2022
Receivables from supplies and services	8	53 631	48 299
Non-current receivables from retained security deposits		1 707	2 431
Cash		35 432	36 880
Other financial assets – security deposits securing bank guarantees	9	7 962	7 962
Total		98 732	95 572

Financial liabilities

31 march 2023

(in PLN thousands)	Note No.	Categories of financial instruments	
		Financial liabilities measured at amortized cost	Total
Loans	13	4 217	4 217
Amounts owed to recipients under agreements	15	2 437	2 437
Liabilities under supplies and services	14	66 829	66 829
Non-current liabilities under retained security deposits	14	9 002	9 002
Other non-current liabilities		169	169
Total		82 654	82 654

Categories of financial instruments

(in PLN thousands)		Financial liabilities measured at amortized cost	Total
Classes of financial instruments	nota		
Loans	13	1 624	1 624
Amounts owed to recipients under agreements	15	538	538
Liabilities under supplies and services	14	55 802	55 802
Non-current liabilities under retained security deposits	14	8 761	8 761
Other non-current liabilities		153	153
Total		66 878	66 878

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

(in PLN thousands)	As at	
	31 March 2023	31 December 2022
Receivables under supplies and services	4 833	4 728
Total	4 833	4 728

Impairment losses on financial assets are presented in Note 8.

The fair value of financial instruments is close to the balance sheet value due to their short-term nature and variable interest rates.

31.2. 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).
- 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. 8.

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

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

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

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

Risk of threatened financial assets is reflected by impairment allowances.

Liquidity risk

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

As at March 31, 2023 and March 31, 2022 the index ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.84 and 1.98.

Detailed information regarding loans is disclosed in Note 13.

Analysis of maturity of liabilities is in Notes 14 and 16.

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 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 3M and bill of exchange rediscount rate. The Group did not take into account the decline in interest rates in its analysis.

Capital risk

The objective of capital risk management is to protect the Group's ability to continue as a going concern so that it can deliver returns to shareholders and maintain an optimal capital structure to reduce its cost.

Note 32 - Related Party Transactions

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

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

In the first quarter of 2023, key management personnel and persons related to key management personnel, in addition to remuneration did not conclude other transactions with the Issuer and the Companies from the Capital Group.

Remuneration paid in the first quarter of 2023 in the Issuer's enterprise:

- to the Members of the Management Board of Parent Entity in the total amount of PLN 350.7 thousand,
- to the Members of the Supervisory Board in the total amount of PLN 108 thousand.

Remuneration paid to the Members of the Management Board and to the Members of the Supervisory Board Supervisory Board in the first quarter of 2023 for performing the functions in the Management Boards and the Supervisory Boards of the companies from the Capital Group was PLN 77.0 thousand.

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

Guarantees and sureties granted to related entities are presented in Note 33.

In the first quarter of 2023, the Group did not conclude transactions with related parties, in the comparable period, i.e. in the first quarter of 2022, the Group concluded transactions presented in the tables below:

Comparative period

(in PLN thousands)

from 1 January 2022 to 31 March 2022

	Sale of services	Purchase of services	Financial income – interest on loans
Jointly-controlled entities and associated entities	423	997	-

As at 31 March 2022

(in PLN thousands)

	Trade and other receivables	Receivables under loans granted	Trade payables
Jointly-controlled entities and associated entities	77	16 000	-

Revenues from the sale of services to jointly-controlled entities and associated entities for the first quarter of 2023 in its entirety relate to revenues from the company Irydion Sp. z o. o. in Warsaw. In the first quarter of 2022, they concerned the purchase/lease of office space and the sale of construction and assembly services.

Note 33 - Contingent Liabilities and Contingent Assets and Other Collateral

Contingent liabilities

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

	<u>31.03.2023</u>	<u>31.12.2022</u>
Collateral granted		
Bank guarantee of good performance	62 433	66 362
Guarantee of return of advance payment	69	69
Guarantee of payment	1 163	1 163
Tender guarantee	-	-
Total collateral granted	63 665	67 594
Contingent liabilities		
Surety for the return of advance payment in the Group	-	-
Total collateral granted and contingent liabilities	63 665	67 594

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 March 2023	31 December 2022
Guarantee of advance payment	-	-
Bank guarantee of good performance	18 296	16 326
Promissory note guarantees securing the terms of the contract	450	450
Total contingent assets	18 746	16 776

Note 34 - Information on Significant Proceedings Pending before the Court

Did not occur.

Note 35 - Events after Reporting Date

On April 19, 2023, the parent company signed an agreement with Anwil S.A. regarding mutual claims for the performance of the construction and assembly contract. Mutual claims were included in revenues from long-term contracts PLN 14 million and in the costs of a long-term contract in the amount of PLN 17.8 million.

Note 36 - 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.;
- Andrzej Karczykowski – 27,952 pcs.;
- Jarosław Stępniewski – 50,206 pcs.

The nominal value of 1 share is PLN 1.

From the date of publication of the consolidated financial statements for 2022, i.e. April 28, 2023, no changes in the number of shares held by managing and supervising persons were recorded.

Position of the Management Board in relation to the possibility of accomplishment of previously published forecast of results for the given year, in the light of results presented in the quarterly report with respect to the forecasted results

Company Prochem S.A. did not publish any forecast of financial results neither for the Company nor for the Capital Group of Prochem S.A..

Information on granting by the issuer or by its subsidiary sureties for a credit or loan or granting a guarantee - jointly to another entity or to a subsidiary of this entity, if the total value of the existing sureties or guarantees is equivalent to at least 10% of 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 next quarter

For the activities of the Capital Group Prochem S.A. 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 funds from the EU for the National Reconstruction Plan, interest

rates on loans, the level of inflation and the related prices of energy, materials and construction services. All these factors have a significant impact on the decisions taken by potential customers of the Prochem S.A. Capital Group. (in particular industrial companies) decisions to start new investment objectives. Currently, most of the orders held by the companies from the Issuer's Capital Group relate to services for investments in the field of new technologies, electromobility, diversification of energy sources (cogeneration, hydrogen production installations), which, in the Issuer's opinion, may mitigate the negative effects of the macroeconomic situation on the operations of the Prochem S.A. Capital Group. The Group participates in tender procedures, which, if successful, may lead to the signing of several significant orders, and as a result, in the following quarters, may result in an improvement in both revenues from the sale of services and results on operations.

Note 37 – Statement of the Management Board of the Parent Company on the Reliability of the Interim Financial Statements Prepared

The Management Board of Prochem S.A., the parent company of the Prochem S.A. Capital Group, declares that the interim condensed consolidated financial statements of the Prochem S.A. Capital Group and interim separate financial statements of Prochem S.A. has been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting" and 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 laws of a non-member state (Journal of Laws of 2018, item 757) ("Regulation") and reflects in a true, reliable and clear way the financial situation of the Capital Group of Prochem S.A. as at March 31, 2023 and December 31, 2022, and the results of its operations and cash flows for the three-month period ended March 31, 2023 and March 31, 2022.

Note 38 - Approval of the Financial Statements

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group for the first quarter of 2023 were approved for issue by the Management Board of the Parent Entity on 15 May 2023.

Financial information of PROCHEM S.A.

Separate statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	As at 31 March 2023	As at 31 December 2022
Assets		
Non-current assets		
Property, plant and equipment	1 248	1 412
Intangible assets	32	38
Right-of-use assets	15 611	15 979
Shares	21 252	21 141
Shares in equity-accounted investees	-	-
Deferred tax assets	1 807	1 945
Receivables under retained security deposits	1 318	1 877
Other financial assets	7 684	8 910
Total non-current assets	48 952	51 302
Current assets		
Inventories	-	194
Trade and other receivables	44 945	28 527
Receivables under current income tax	373	44
Amounts due from recipients under agreements	44 373	37 634
Other financial assets	7 962	7 962
Other assets	1 119	1 023
Cash and cash equivalents	2 721	8 571
Total current assets	101 493	83 955
Total assets	150 445	135 257
Equity and liabilities		
Equity		
Share capital	2 355	2 355
Shares	-350	-350
Revaluation reserve	-486	-486
Retained earnings	56 808	56 223
Total equity	58 327	57 742
Non-current liabilities		
Liabilities under retirement and similar benefits	791	792
Non-current loans	971	950
Non-current liabilities under seized security deposits	9 121	8 800
Liabilities under lease	14 083	14 313
Total non-current liabilities	24 966	24 855
Current liabilities		
Trade payables	56 692	42 981
Amounts owed to recipients under agreements	2 033	-
Liabilities under lease	2 258	2 258
Other liabilities	6 169	7 421
Total current liabilities	67 152	52 660
Total liabilities	92 118	77 515
Total equity and liabilities	150 445	135 257

**Separate statement of profit and loss
from 1 January 2023 to 31 March 2023**

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 March 2023	Period ended 31 March 2022
Revenues from sale, including:	48 532	39 659
Revenues from sale of services	48 459	39 101
Revenues from sale of goods and materials	73	558
Cost of sales, including:	-50 522	-35 618
Cost of services sold	-50 452	-35 097
Cost of merchandise and raw materials	-70	-521
Gross profit on sales	-1 990	4 041
General and administrative expenses	-2 363	-1 889
Other operating income	5 552	38
Other operating expenses	-14	-133
Results from operating activities	1 185	2 057
Financial income	368	282
Profit on liquidation of subsidiary	-	-
Finance expenses	-831	-327
Before tax profit	722	2 012
Income tax expense:	137	1 144
- current tax	-	-
- deferred tax	137	1 144
Profit for the period	585	868

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) assigned to owners of the Parent Entity	0.29	0.37

Separate statement of comprehensive income

	Period ended 31 March 2023	Period ended 31 March 2022
Profit for the period	585	868
Other comprehensive income net	-	-
Total comprehensive income	585	868

Weighted average number of ordinary shares (in pcs.)	2 005 000	2 355 000
Total comprehensive income per ordinary share (in PLN per one share)	0.29	0.37

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 31 March 2023					
As at the beginning of the period	2 355	-350	-486	56 223	57 742
Net profit of the given period	-	-	-	585	585
<i>Other comprehensive income (net)</i>	-	-	-	-	-
Total comprehensive income	-	-	-	585	585
As at the end of the period	2 355	-350	-486	56 808	58 327
Reporting period from 1 January 2022 to 31 March 2022					
As at the beginning of the period	2 935	-580	-538	42 217	44 034
Net profit of the given period	-	-	-	868	868
<i>Other comprehensive income (net)</i>	-	-	-	-	-
Total comprehensive income	-	-	-	868	868
As at the end of the period	2 935	-580	-538	43 085	44 902

Separate statement of cash flows

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 March 2023	Period ended 31 March 2023
Cash flows – operating activities		
Before tax profit	722	2 012
Total adjustments	-6 380	33
Amortization and depreciation	893	992
Interest and profit sharing (dividends)	320	-101
(Profit) loss on disposal of property, plant and equipment	-	-12
Change in provisions	-58	-15
Change in inventories	194	241
Change in receivables and in other assets	-22 694	24 992
Change in current liabilities, except for borrowings and loans, except for loans and borrowings	14 954	-27 065
Other adjustment (including change in deferred income)	11	1 001
Cash provided by (used in) operating activities	-5 658	2 045
Income tax paid	329	-
Net cash provided by (used in) operating activities	-5 987	2 045
Cash flows – investing activities		
Proceeds from the division of capital in a liquidated subsidiary	-	-
Proceeds from repayment of a loan	1 400	1 500
Proceeds from interest on loans granted	-	236
Disposal of intangible assets and property, plant and equipment	-	20
Purchase of intangible assets and property, plant and equipment	-90	-112
Outflows on financial assets in subsidiaries	-111	-
Net cash provided by (used in) investing activities	1 199	1 644
Cash flows – financing activity		
Payment of liabilities under lease	-1 058	-974
Interest and commission on loan paid	-4	-
Net cash provided by (used in) financing activity	-1 062	-974
Total cash flows, net		
Increase/(decrease) in cash and cash equivalents net	-5 850	2 715
Cash and cash equivalents at the beginning of the period	8 571	11 254
Cash and cash equivalents at the end of the period	2 721	13 969
Including restricted cash	37	739

Signatures of the Members of the Management Board

15.05.2023	Marek Kiersznicki	President of the Management Board
date	First name and surname	position	signature

15.05.2023	Krzysztof Marczak	Vice President of the Management Board
date	First name and surname	position	signature

15.05.2023	Michał Dąbrowski	Member of the Management Board
date	First name and surname	position	signature

Signature of the person responsible for bookkeeping

15.05.2023	Barbara Auguścińska-Sawicka	Chief Accountant
date	First name and surname	position	signature