

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

**as at and for the period of six months ended
30 June 2022**

PROCHEM S.A.
Łopuszańska 95, Street
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Poland

www.prochem.com.pl

Selected financial data

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

- for the first half of 2022 - 4.6427 PLN/EUR
- for the first half of 2021 - 4.5472 PLN/EUR

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

- 4.6806 PLN/EUR as at 30 June 2022
- 4.5208 PLN/EUR as at 30 June 2021

Selected financial data of Prochem S.A. Capital Group

Description	Reporting period ended 30 June		Reporting period ended 30 June	
	2022	2021	2022	2021
	In PLN thousands		In EURO thousands	
<i>Consolidated statement of profit and loss</i>				
Revenues from sale	102 851	105 895	22 153	23 288
Gross profit on sale	6 507	10 343	1 402	2 275
Results from operating activities	-3 720	4 147	-801	912
Before tax profit	1 336	4 668	288	1 027
Profit for the period assigned to:	457	3 474	98	764
Shareholders of the Parent Entity	97	3 496	21	769
Non-controlling interest	360	-22	78	-5
Profit/diluted profit (in PLN/EUR) per one ordinary share – assigned to shareholders of the parent entity	0.04	1.19	0.01	0.26
<i>Consolidated statement of cash flows</i>				
Net cash provided by (used in) operating activities	-11 725	-2 736	-2 525	-602
Net cash provided by (used in) investing activities	45 740	-1 587	9 852	-349
Net cash provided by (used in) financing activities	-2 553	-1 078	-550	-237
Total cash flows, net	31 462	-5 401	6 777	-1 188
<i>Consolidated statement of financial position</i>				
Description	As at		As at	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	In PLN thousands		In EURO thousands	
Total assets	199 951	244 577	42 719	53 176
Total non-current assets	73 917	109 428	15 792	23 792
Total current assets	126 034	135 149	26 927	29 384
Equity assigned to shareholders of the parent entity	98 668	99 138	21 080	21 555
Non-controlling interest	3 391	3 636	724	791
Total equity	102 059	102 774	21 805	22 345
Total non-current liabilities	42 654	36 272	9 113	7 886
Total current liabilities	55 238	105 531	11 801	22 945
Book value per one ordinary share (in PLN/EUR)- assigned to shareholders of the parent entity	41.90	42.10	8.46	9.15
Weighted average number of shares (in pcs.)	2 355 000	2 355 000	2 355 000	2 355 000

Statement of the Management Board of the Parent Entity

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

The Management Board of Prochem S.A. declares that interim condensed consolidated financial statements of the Prochem S.A. Capital Group were prepared in compliance with requirements of IAS 34 „Interim financial reporting” and with the Regulation of the Minister of Finance dated March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Journal of Laws of 2018 item 757) („Regulation”) and it reflects in a true, reliable and clear manner the financial position of the Prochem S.A. Capital group as of June 30, 2022 and as of December 31, 2021, and results of its operations and cash flows for the period of 6 months ended June 30, 2022 and June 30, 2021.

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

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

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Consolidated condensed financial statements of the PROCHEM S.A. Capital Group as at and for the period of six months ended 30 June 2022

Consolidated statement of financial position as at 30 June 2022

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 30 June 2022	As at 31 December 2021
A s s e t s			
Non-current assets			
Property, plant and equipment	1	15 419	15 757
Intangible assets		87	89
Investment property	2	10 598	10 598
Right-of-use assets	3	30 843	24 422
Shares		830	830
Shares in equity accounted investees	4	15 148	39 139
Deferred tax assets	5	715	1 362
Receivables under seized security deposits		277	231
Other financial assets	6	0	17 000
Total non-current assets		73 917	109 428
Current assets			
Inventories	7	4 507	8 379
Trade and other receivables	8	46 144	87 288
Receivables under current income tax		138	436
Amounts due from recipients under contracts	15	16 774	14 996
Other financial assets	9	7 750	8 658
Other assets	10	4 865	998
Cash and cash equivalents		45 856	14 394
Total current assets		126 034	135 149
Total assets		199 951	244 577

Consolidated statement of financial position as at 30 June 2022

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 30 June 2022	As at 31 December 2021
Equity and liabilities			
Equity			
Share capital	11	2 935	2 935
Own shares		-580	-580
Revaluation reserve		6 513	6 513
Retained earnings	12	89 800	90 270
Owner's equity		98 668	99 138
Non-controlling interest		3 391	3 636
Total equity		102 059	102 774
Non-current liabilities			
Non-current loans	13	300	300
Provision under deferred income tax	5	2 761	2 759
Provision for retirement and similar benefits		2 281	2 313
Non-current liabilities under seized security deposits	14	8 048	9 020
Non-current liabilities under lease	16	29 119	21 737
Other non-current liabilities		145	143
Total non-current liabilities		42 654	36 272
Current liabilities			
Current bank loans	13	4 214	3 704
Current loans	13	400	400
Trade payables	14	32 854	77 461
Amounts owed to recipients under contracts	15	2 482	5 803
Liabilities under current income tax		83	16
Current liabilities under lease	16	3 822	4 923
Other liabilities	17	10 925	12 405
Deferred income		458	819
Total current liabilities		55 238	105 531
Total liabilities		97 892	141 803
Total equity and liabilities		199 951	244 577
Book value – equity assigned to owners of the Parent Entity		98 668	99 138
Average number of ordinary shares (in pcs.)		2 355 000	2 355 000
Book value per one share (in PLN) – assigned to owners of the Parent Entity		41.90	42.10

**Consolidated statement of profit and loss
from 1 January 2022 to 30 June 2022**

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 30 June 2022	Period ended 30 June 2021
Revenues from sale, including:		102 851	105 895
Revenues from sale of services	18	101 870	105 295
Revenues from sale of goods and materials		981	600
Cost of sales, including:		-96 344	-95 552
Cost of services sold	19	-95 276	-95 009
Cost of merchandise and raw materials		-1 068	-543
Gross profit on sales		6 507	10 343
General and administrative expenses	19	-7 653	-7 311
Other operating income	20	844	1 468
Other operating expenses	21	-3 418	-353
Other operating expenses - result of one-off event		-	-
Result from operating activities		-3 720	4 147
Financial income	22	1 349	234
Profit (loss) from the sale/liquidation of all or part of the shares of a subsidiary		34	-1 044
Finance expenses	23	-1 378	-1 174
Share in profits of associates		5 051	2 505
Before tax profit		1 336	4 668
Income tax expense :		879	1 194
- current tax		226	778
- deferred tax		653	416
Profit for the period		457	3 474
Profit (loss) net assigned to :			
Shareholders of the Parent Entity		97	3 496
Non-controlling interest		360	-22
Weighted average number of ordinary shares (in pcs.)		2 355 000	2 935 000
Profit (loss) per one ordinary share (in PLN per one share) assigned to owners of the Parent Entity		0.04	1.19

Consolidated statement of comprehensive income

	Period ended 30 June 2022	Period ended 30 June 2021
Profit for the period	457	3 474
Other comprehensive income net	-	-
<i>Other comprehensive income, that will be reclassified to profit or loss if certain conditions are met:</i>	<i>-</i>	<i>-</i>
<i>Other comprehensive income, that will not be reclassified to profit or loss:</i>	<i>-</i>	<i>-</i>
Non-current assets update	-	-
Income tax relating to other comprehensive income	-	-
Total comprehensive income	457	3474
Total comprehensive income assigned to :		
Shareholders of the Parent Entity	97	3 496
Non-controlling interest	360	-22
Weighted average number of ordinary shares (in pcs.)	2 355 000	2 935 000
Total comprehensive income per ordinary share (in PLN per one share) assigned to owners of the Parent Entity	0.04	1.19

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2022

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 minority shareholders	Total equity
Reporting period from 1 January 2022 to 30 June 2022							
As at the beginning of the period	2 935	-580	6 513	90 270	99 138	3 636	102 774
As at the beginning of the period after making the data comparable	2 935	-580	6 513	90 270	99 138	3 636	102 774
Net profit of the given period	-	-	-	97	97	360	457
Other comprehensive income (net)	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	97	97	360	457
Other changes	-	-	-29	-566	-566	-606	-1 172
As at the end of the period	2 935	-580	6 513	89 801	98 669	3 390	102 059

Comparative period

	Share capital	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the parent entity	Equity assigned to minority shareholders	Total equity
Reporting period from 1 January 202 to 30 June 2021						
As at the beginning of the period	2 935	7 043	95 645	105 623	6 942	112 565
Net profit of the given period	-	-	3 496	3 496	-22	3 474
Other comprehensive income (net)	-	-	-	-	-	-
Total comprehensive income	-	-	3 496	3 496	-22	3 474
Other changes		181	2 988	3 169	-3 307	-138
As at the end of the period	2 935	7 224	102 129	112 288	3 613	115 901

Consolidated statement of cash flows
For the period from 1 January 2022 to 30 June 2022
(all amounts in PLN thousands if not stated otherwise)

	Period ended 30 June 2022	Period ended 30 June 2021
Cash flows – operating activities		
Before tax profit	1 336	4 668
Total adjustments	-13 183	-6 789
Share in net profit of associated entities	-5 051	-2 505
Amortization and depreciation	3 440	3 283
Interest and profit sharing (dividends)	292	392
(Profit) loss on disposal of property, plant and equipment	-	-14
(Profit) loss on investment	-34	1 044
Change in provisions	-1 593	146
Change in inventories	3 872	3 066
Change in receivables and in other assets	35 453	13 865
Change in current liabilities, except for loans and borrowings	-48 947	-27 067
Other adjustments (including change in deferred income)	-615	1 001
Cash provided by (used in) operating activities	-11 847	-2 121
Income tax paid	-122	615
Net cash provided by (used in) operating activities	-11 725	-2 736
Cash flows – investing activities		
Disposal of intangible assets and property, plant and equipment	8	119
Borrowings received – return of borrowings granted to related entities	17 000	-
Interest received on borrowings granted to related entities	355	195
Dividends received from jointly-controlled entity	29 042	-
Inflow from sale of share in subsidiary	210	-
Acquisition of intangible assets and property, plant and equipment	-875	-879
Acquisition of shares in subsidiary	-	-1 022
Net cash provided by (used in) investing activity	45 740	-1 587
Cash flows – financing activity		
Bank loans	510	1 963
Repayment of bank loans	-	-66
Interest and commission paid	-106	-34
Payment of liabilities under lease	-2 957	-2 941
Net cash provided by (used in) operating activities	-2 553	-1 078
Total cash flows net	31 462	-5 401
Increase/(decrease) in net cash and cash equivalents	31 462	-5 401
Cash and cash equivalents as at the beginning of the period	14 394	38 928
Cash and cash equivalents at the end of the period	45 856	33 527
Including restricted cash (VAT account)	851	1 520

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

1. Establishment of the company and its principal activity

Company Prochem S.A. (hereinafter 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.

Information for esef

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

Country of registration: Poland

Name change: was not

1.1. The Management Board and Supervisory authorities of the Issuer

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

Marek Kiersznicki - President of the Management Board

Krzysztof Marczak - Vice President of the Management Board

Michał Dąbrowski - Member of the Management Board

In the first half of 2022, there were no changes in the composition of the Management Board of Prochem S.A.

Composition of the Supervisory Board of Prochem S.A.

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

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

In the first half of 2022, there were no changes in the composition of the Supervisory Board of the Company.

2. Employment

Average employment in the Capital Group in the first half of 2022 was 356 FTEs, and in the first half of 2021 388 FTEs. Level of employment in persons as at 30 June 2022 was 366, and as at 30 June 2021 was 394.

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

The 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 – subsidiary indirectly (93.2%);
- PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.7% share in capital and profit, 72.3% of shares);
- Prochem Zachód Sp. z o.o. seated in Warsaw – subsidiary directly (80.0%);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (91.97%), including 57.49% of share in capital and voting rights holds Prochem Inwestycje subsidiary in 100%. Elektromontaż Kraków S.A. prepares consolidated financial statements, which contains data of subsidiary in 100%: ELMONT-POMIARY Sp. z o.o. seated in Krakow.;
- 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).

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

- Irydion Sp. z o.o. seated in Warsaw – 50% of share jointly-controlled entity

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

Company Predom Projektowanie Sp. z o. o. with capital in the amount of PLN 53 thousand was excluded from consolidation. The company has not commenced activity.

Company Pro-Inhut Sp. z o. o. seated in Dąbrowa Górnicza is subject to arrangement proceedings.

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

On June 23, 2022, on the basis of an agreement of sale of shares, Prochem Inwestycje Sp. z o. o. purchased 1,300 shares of Elektromontaż Kraków S.A. at PLN 5 each. The parties set the purchase price of the shares at PLN 105 per share, the total purchase price was PLN 136,500.

As a result of the acquisition of shares in Elektromontaż Kraków S.A. and a decrease in the share capital on February 2, 2022 in the National Court Register, Prochem S.A. holds direct and indirect shares in the share capital of the company in the amount of 91.97%, and in voting rights in the amount of 91.97%.

On June 29, 2022, Prochem Inwestycje Sp. z o. o. sold 178 shares it held in Atutor Integracja Cyfrowa Sp. z o. o. with its registered office in Warsaw, with a nominal value of PLN 1,000 for the total price of PLN 210,000.

4. Adopted accounting principles

Principle of presentation and statement of compliance

Interim condensed consolidated financial statements of Prochem S.A. for the current period from January 1 to June 30, 2022, the comparable period from January 1 to June 30, 2021, together with selected explanatory notes, was reviewed by the statutory auditor.

Interim condensed consolidated financial statements of PROCHEM S.A. for the first half of 2022 was prepared according to IAS 34 „Interim Reporting”, in the shape endorsed by the European Union and with Decree of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent an information required by the law of a non-Member State (Official Journal of 2018 item 757) („Decree”). Hereby interim condensed 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 2021.

The presented financial statements of the Prochem S.A. Capital Group present fairly and clearly the financial and property position as at June 30, 2022 and the comparative data as at December 31, 2021, as well as the results of this activity for the year ended June 30, 2022 and the comparative data for the year ended June 30, 2021.

Interim condensed financial statements of the Prochem S.A. Capital Group as at June 30, 2022 were prepared at assuming to continue business operations as a going concern in the foreseeable future.

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

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

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

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

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

Significant accounting principles and changes in IFRS

Changes in accounting estimates, and in accounting policies

The preparation of financial statements under IFRS endorsed by EU requires using certain accounting estimates and adoption of assumptions concerning future events. Items of the financial statements set on the basis of the estimates are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information, or of the progressive development of events or of acquiring greater experience. In preparing hereby financial statements were applied the same accounting principles and the same calculation methods which were applied in the consolidated financial statements of the Prochem S.A. Capital group for the year ended 31 December 2021.

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

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

Approved by the Board of IFRS for use after January 1, 2022 and during 2022 amendments to:

- IFRS 34 "Business Combinations" - updated references to the Conceptual Framework;
- Amendments to IAS 16 "Property, plant and equipment" - revenues from products produced in the period of preparation of property, plant and equipment for the commencement of operation;
- IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" - explanations on costs recognized in the analysis of whether the contract is a contract that is onerous;
- Annual Amendments Program 2018-2020 - the amendments contain clarifications and clarify the guidelines of recognition and measurement standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and to illustrative examples to IFRS 16 "Leases";

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 the accounting policy and the financial statements.

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

- Amendments to IFRS 17 "Insurance Contracts" ;
- Amendments to IAS 1 "Presentation of Financial Statements" – classification of liabilities as current or non-current ;
- Amendments to IAS 1 "Presentation of Financial Statements" and guidelines of the IFRS Board regarding disclosures about accounting policies in practice - the requirement to disclose material information about accounting principles;
- Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - definition of accounting estimates;
- Amendments to IAS 12 "Income Tax" - obligation to recognize deferred tax on transactions, i.e. lease;
- Amendments to IFRS 17 "Insurance contracts" - first application of IFRS 17 and IFRS 9 - comparative information.

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

5. Functional currency and presentation currency of financial statements

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

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

Since the outbreak of the epidemic, Prochem S.A. and companies from the Group have implemented many procedures related to the need to adapt to the constantly changing operating conditions, as well as to prevent the spread of COVID-19 infections,

Actions taken by the Group in relation to the COVID-19 pandemic

Companies from the Prochem S.A. Capital Group have taken a number of steps in connection with the COVID-19 pandemic. When the first cases of COVID-19 appeared in the country, the Prochem S.A. Group developed action plans to ensure the continuity of operation and the provision of key services provided by Prochem S.A. Similar procedures were also implemented in the remaining companies of the Group. They are currently adapted to the changing conditions in the environment.

As at the time of preparation of hereby interim condensed consolidated financial statements, the Group's financial situation is stable. As a result of the analysis, the Management Board of the Parent Company of the Prochem S.A. Capital Group sees no need:

- revaluation of the Group's assets due to the negative effects of COVID-19,
- making write-downs of receivables due to insolvency of contractors,
- making changes or adjustments to the Group's supply chain,
- making adjustments to credit liabilities,
- making adjustments to lease liabilities - all lease contracts are performed in accordance with schedule,
- introducing changes in the system of work and remuneration of the Group's employees, all payroll obligations are fulfilled on an ongoing basis.

The Group analyses the situation on the markets on an ongoing basis and signals from contractors that may indicate a deterioration of the financial situation and, if necessary, will update the adopted estimates when preparing the financial statements.

Management boards of companies from the Capital Group of Prochem S.A. monitor the current situation with particular care. Actions were also taken to stabilize the financial and operational stability of the Group's companies by collecting the necessary financial reserves and using appropriate tools and IT solutions to maintain the project potential (e.g. creating remote work opportunities).

If necessary, the Management Boards of the Companies are prepared to take further actions to adapt their potential to the new conditions in order to mitigate any negative effects.

Moreover the Group has taken a number of preventive measures to reduce the possibility of the virus spreading on the premises and protect employees.

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

The Management Board monitors the impact of the political and economic situation in Ukraine on the Company's operations on an ongoing basis.

As at the date of hereby financial statements, the Company noticed a noticeable impact on sales and the supply chain. First of all, there has been noticed a sharp increase in the prices of goods and services, delivery times for equipment and materials have been extended and the availability of some goods has been limited. Therefore, there may be some problems with the contracts for execution.

However, due to the fact that the Group has taken steps to limit the impact of the existing economic processes on the Group's operations by implementing additional control procedures aimed at limiting the risk of potential violation of the terms of contracts signed by contractors as a result of a change in the economic situation. In particular, in the area of contracts for construction and assembly works and supplies, additional procedures have been implemented in the field of ongoing monitoring of compliance with the terms and deadlines of contract performance and the contractor's financial standing. The risk of losing financial liquidity by key suppliers is analyzed on an ongoing basis and, if necessary, appropriate actions are taken, including shortening of payment deadlines in individual cases.

The Management Boards of Companies from the Prochem S.A. Capital Group monitor the current situation with particular attention and, if necessary, is prepared to take appropriate action to adapt Company's potential to the new conditions in order to mitigate any negative effects on the Group.

8. Explanatory Notes to interim condensed consolidated financial statements as at and for the period of six months ended 30 June 2022

Note 1 – Property, Plant and Equipment

	As at 30 June 2022	As at 31 December 2021
Property, plant and equipment, including:	15 419	15 757
- land	1 909	1 924
- buildings, premises, civil engineering facilities	10 561	10 966
- machinery and equipment	1 263	866
- vehicles	1 160	1 413
- other PPE	526	588
Total property, plant and equipment	15 419	15 757

	As at 30 June 2022	As at 31 December 2021
Property, plant and equipment – ownership structure		
a) own	5 374	4 981
b) used under a rental, lease or other agreement, including :	10 045	10 776
- lease	8 768	9 484
- the value of the right of perpetual usufruct	1 277	1 292
Total balance sheet property, plant and equipment assets	15 419	15 757

The Group, pursuant to agreement dated 23 July 2004 leases property consisting of 3 buildings with a 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. Fair value as at June 30, 2022 was set based on measurement made as at December 31, 2021 made 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.

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	Change in PPE from 1 January 2022 to 30 June 2022	Change in PPE from 1 January 2021 to 30 June 2021
Gross value		
As at opening balance sheet	36 435	36 353
Increase (due to)	849	1 400
- acquisition of non-current assets	849	1 400
Decrease (due to)	-1 557	-1 318
- disposal of non-current assets	-805	-485
- liquidation of non-current assets	-16	-153
- reclassification to non-current assets	-	-737
- reversal of the elimination of unpaid non-current assets in a subsidiary	-	57
- changes – disposal of subsidiary	-739	-
- changes	3	-
As at closing balance sheet	35 727	36 435
Depreciation and impairment		
As at opening balance sheet – accumulated depreciation	20 678	19 163
Depreciation for the period (due to)	-370	1 515
- increase (accrued depreciation)	1 023	2 068
- decrease under disposal of non-current assets	-731	-402
- decrease under liquidation of non-current assets	-16	-153
- reclassification of current assets to assets held-for-sale	-	-
- changes – disposal of subsidiary	-646	-
- other changes	-	2
As at closing balance sheet - accumulated depreciation	20 308	20 678
Impairment of non-current assets	-	-
PPE net value as at closing balance sheet	15 419	15 757

Note 2 – Investment Property

	As at 30 June 2022	As at 31 December 2021
Buildings and constructions	8 216	8 216
Value of land	2 382	2 382
Total investment property	10 598	10 598

Investment property according to category	Change in investment property for the period from 1 January 2022 to 30 June 2022	Change in investment property for the period from 1 January 2021 to 31 December 2021
Investment property – land		
As at opening balance sheet:	2 382	2 189
- increase due to reclassification from property, plant and equipment	-	193
- increase due to measurement at fair value	-	-
As at closing balance sheet	2 382	2 382
Investment property - buildings and constructions		
As at opening balance sheet:	8 216	7 672
- change due to:		

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2022

a) increase under measurement at fair value	-	-
b) increase under reclassification from property, plant and equipment	-	544
Total changes	-	544
As at closing balance sheet	8 216	8 216
Write-down of investment property	-	-
Total investment property	10 598	10 598

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

Carrying value of the investment property as at 30 June 2022 does not significantly differ from fair value. Measurement at fair value as at 31 December 2021 was made by the independent valuers not associated with the Group. Valuers have the right qualifications to carry out valuations of investment property as well as current experience in such valuations in locations where are located assets of the Group. Valuation was carried out by reference to the market transaction prices for similar assets.

Details concerning investment property and information on the hierarchy of fair values as at 30 June 2022.

	Level 1	Level 2	Level 3	Fair value as at 30.06.2022
	In PLN thousands	In PLN thousands	In PLN thousands	In PLN thousands
Investment property	-	-	10 598	10 598

There were no displacements between the levels 1, 2 and 3 in the first half of 2022.

Note 3 – The Right-of-Use Assets

	As at 30 June 2022	As at 31 December 2021
- buildings and constructions	29 479	22 644
- machinery and equipment	64	96
- vehicles	1 300	1 682
Total assets	30 843	24 422

For the period from 1 January 2022 to 30 June 2022	Buildings and constructions	Tools, instruments, movables and equipment	Vehicles	Total
Gross book value	32 628	378	3 826	36 832
Increase in gross value-conclusion of new contracts	-	-	204	204
Increase in gross value-updating the value of contracts concluded	8 698	-	-	8 698
Write-down	-	-	-	-
Total	41 326	378	3 827	45 531
Depreciation				
As at opening balance sheet	9 984	282	2 144	12 410
- depreciation accrued	1 863	32	478	2 373
- decrease - completed contract	-	-	-95	-95
Total	11 847	314	2 527	14 688
Book value net as at 30.06.2022				
Book value gross	41 326	378	3 827	45 531

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2022

Depreciation accumulated	-11 847	-314	-2 527	-14 688
Write-down	-	-	-	-
Total net	29 479	64	1 300	30 843

Comparative data

Description	Buildings and constructions	Machinery and equipment	Vehicles	Total
Book value gross	30 196	337	3604	34 137
Increase in value – conclusion of new contracts	-	41	219	260
Increase in gross value– updating the value of concluded contracts	2 432	-	65	2 497
Decrease in value – completed contract	-	-	-62	-62
Write-down	-	-	-	-
Total	32 628	378	3 826	36 832
Increase (+) /decrease (-)				
Depreciation – as at opening balance sheet	-6 409	-188	-1 222	-7 819
Depreciation accrued	-3 575	-94	-958	-4 627
Decrease – completed contract	-	-	36	36
Write-down	-	-	-	-
Total	-9 984	-282	-2 144	-12 410
Total as at 31.12.2021				
Gross book value	32 628	378	3 826	36 832
Depreciation accumulated	-9 984	-282	-2 144	-12 410
Write-downs	-	-	-	-
Book value net as at 31.12.2021	22 644	96	1 682	24 422

Note 4 - Shares in Entities Valued Using the Equity Method

Shares in jointly-controlled entities and in associated entities	As at 30 June 2022	As at 31 December 2021
- shares – net value	15 148	39 139
- write-downs of shares	1 011	1 011
Shares, gross value	16 159	40 150

Change in shares in jointly-controlled entities and in associated entities	As at 30 June 2022	As at 31 December 2021
a) as at the beginning of the period	39 139	33 907
- shares at cost	39 139	33 907
b) increase (due to)	5 051	5 232
- share in the result of the current year	5 051	5 232
c) decrease (under)	29 042	-
- dividend paid	29 042	-
d) as at the end of the period net	15 148	39 139
e) write-down	1 011	1 011
f) as at the end of the period gross	16 159	40 150

Note 5 - Settlement of Deferred Income Tax

Changes in provision and deferred tax assets for the first half of 2022 are presented in the table below.

Deferred tax assets	As at 30 June 2022	As at 31 December 2021
As at the beginning of the period	5 193	5 896
Increase	4 089	4 236
Decrease	-3 985	-4 939
As at the end of the period	5 297	5 193
Provision for deferred income tax	As at 30 June 2022	As at 31 December 2021
As at the beginning of the period	6 590	6 871
Increase	2 609	3 160
Decrease	-1 856	-3 441
As at the end of the period	7 343	6 590
	As at 30 June 2022	As at 31 December 2021
Deferred tax assets	5 297	5 193
Provision under deferred income tax	-7 343	-6 590
Assets/(Provision) under deferred income tax	-2 046	-1 397
Presentation in the statement of financial position	As at 30 June 2022	As at 31 December 2021
Deferred tax assets	715	1 362
Provision under deferred income tax	-2 761	-2 759
Assets/(Provision) under deferred income tax	-2 046	-1 397

Note 6 – Other Financial Assets

Other financial assets	As at 30 June 2022	As at 31 December 2021
a) from jointly-controlled entities :	-	17 000
- loans granted	-	17 000
Total other non-current financial assets	-	17 000

Loans granted – as at 30 June 2022

- Loans granted to the jointly-controlled company Irydion Sp. z o. o. with its registered office in Warsaw have been repaid, the balance as at June 30, 2022 is PLN 0.

Increase:

Interest accrued on loans granted to the jointly controlled company Irydion Sp. z o. o. in the amount of PLN 356 thousand.

Decrease:

repayment of loans incurred by the jointly-controlled company Irydion Sp. z o. o. in the amount of PLN 17,000,000.

- repayment of interest on loans incurred by the jointly- controlled company Irydion Sp. z o. o. in the amount of PLN 356 thousand.

Loans granted –as at 31December 2021

- Loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
 - in the amount of PLN 11 000 thousand, including: amount of the loan PLN 11 000 thousand. The interest rate is set annually at the WIBOR 3M rate on the first business day of each calendar quarter plus a margin of 2.3%, loan repayment date with interest on September 22, 2031;
 - in the amount of PLN 6 000 thousand, including: amount of the loan PLN 6 000 thousand. The interest rate is set annually at 3% rate per year, repayment date of the loan with interest on September 22, 203.

Note 7– Inventories

Inventories	As at 30 June 2022	As at 31 December 2022
Materials	3 984	7 578
Semi-finished products and work-in-process	523	443
Goods	-	358
Total inventories	4 507	8 379
Including write-down of inventories	557	557

Note 8 – Trade and Other Receivables

Trade and other receivables	As at 30 June 2022	As at 31 December 2021
Trade receivables	49 150	89 994
Write-down of trade receivables	4 525	4 261
Trade receivables net, including	44 625	85 733
- with repayment period up to 12 months	39 067	81 093
- with repayment period above 12 months	5 558	4 640
Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits	75	105
Other receivables	1 444	1 450
Write-down of other receivables	0	0
Other receivables net	1 444	1 450
Total receivables	46 144	87 288

Trade and other receivables from related entities	As at 30 June 2022	As at 31 December 2021
Trade receivables, including:	2 278	6
- from jointly-controlled entities and associated entities	2 278	6
Total trade and other receivables from related entities net	2 278	6
Write-down of receivables from related entities	-	-
Total trade and other receivables from related entities gross	2 278	6

Change in write-downs of trade and other receivables	As at 30 June 2022	As at 31 December 2021
As at the beginning of the period	4 261	4 319
a) increase (under)	264	23

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2022

- provision to receivables	264	23
b) decrease (under)	0	81
- payments received	0	65
- use of reserves created in previous periods	0	16
Write-downs of current trade and other receivables at the end of the period	4 525	4 261

As at 30 June 2022 and as at 31 December 2021 trade receivables include current security deposits under statutory warranty granted for construction and assembly work, respectively for the amounts of PLN 9 256 thousand and PLN 5 977 thousand.

Note 9 – Other Financial Assets

Other financial assets	As at 30 June 2022	As at 31 December 2021
a) from other entities:	7 750	8 658
- other financial assets – security deposits securing bank guarantee	7 750	8 658
Total financial assets	7 750	8 658
Write-downs of other financial assets	-	-
Other financial assets gross	7 750	8 658

Note 10 – Other Assets

Other assets by type :	As at 30 June 2022	As at 31 December 2022
a) prepayments	4 865	998
- cost of property and personnel insurance	280	232
- software maintenance costs	543	653
- subscriptions	9	4
- deferred costs	9	17
- other	3 822	92
- write-off to the Social Fund	202	-
Other assets	4 865	998

Note 11 – Share Capital

SHARE CAPITAL (STRUCTURE)							
Series / emission	Type of share	Type of share preference	Number of shares	Series / emission at nominal value	Method of coverage of capital	Registration date	Right to dividend (from the date)
Founding	inscribed	3 votes per 1 share	580	580	Cash	23-07-1991	01-10-1991
Founding	inscribed	-	6 816	6 816	Cash	23-07-1991	01-10-1991
Founding	bearer	-	1 810 104	1 810 104	Cash	23-07-1991	01-10-1991
B	inscribed	-	750	750	Cash	29-07-1993	01-01-1993
B	bearer	-	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							

On August 9, 2022, an entry was made in the National Court Register pursuant to Resolution No. 19 of the Ordinary General Meeting (OGM) of June 27, 2022 - the OGM redeemed 580,000 shares with a nominal value of PLN 1 each, including: 145,000 shares series B bearer shares and 435,000 series C bearer shares.

As at the date of publication of hereby financial statements, the share capital was reduced by PLN 580,000, and the number of shares remaining in trade is 2,355,000, the total number of votes attached to these shares is 2,356,160.

Changing the rights from the issuer's securities

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

Name of the shareholder	Number of shares held (in pcs.)	Number of votes held	% of votes in total number of votes	% of share capital
1. Steven Tappan	1 000 000	1 000 000	42.44	42.46
2. Otwarty Fundusz Emerytalny PZU „Złota Jesień”	284 916	284 916	12.09	12.10
3. APUS S.A.	145 965	145 965	6.20	6.20

Change of rights from shares of Prochem S.A. in the first half of 2022:

1. On August 16, 2022, the Management Board of Prochem S.A. (hereinafter referred to as the Company) obtained information about from Powszechne Towarzystwo Emerytalne PZU S.A. acting on behalf of the Otwarty Fundusz Emerytalny PZU "Złota Jesień" ("OFE PZU") on the change of the share held so far in the total number of votes at the general meeting of the Company. The change is a consequence of reducing the share capital from PLN 2,935,000 to PLN 2,355,000 by redeeming 580,000 shares of the Company with a nominal value of PLN 1 each.

Before the change, OFE PZU owned 284,916 shares of the Company, which constituted 9.708% of the share capital and had 284,916 votes from these shares, which constituted 9.704% of the total number of votes at the General Meeting.

After the change, OFE PZU holds 284,916 shares of the Company, which constitutes 12.10% of the share capital and has 284,916 votes from these shares, which constitutes 12.09% of the total number of votes at the General Meeting.

2. On August 19, 2022, 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 the share held so far in the total number of votes at General Meeting of the Company. The change is a consequence of reducing the share capital from PLN 2,935,000 to PLN 2,355,000 by redeeming 580,000 shares of the Company with a nominal value of PLN 1 each.

Before the change, Mr. Steven Tappan owned 1,000,000 shares of the Company, which constituted 34.07% of the share capital and held 1,000,000 votes from these shares, which constituted 33.1% of the total number of votes at the General Meeting.

After the change, Mr. Steven Tappan holds 1,000,000 shares of the Company, which constitutes 42.46% of the share capital and has 1,000,000 votes from these shares, which constitutes 42.4% of the total number of votes at the General Meeting.

3. On August 19, 2022, the Management Board of Prochem S.A. (hereinafter referred to as the Company) received information from the shareholder of the Company, Mr. Jean Jaques Alphantera and APUS S.A. on the change of the share held so far in the total number of votes at the general meeting of the Company. The change is a consequence of reducing the share capital from PLN 2,935,000 to PLN 2,355,000 by redeeming 580,000 shares of the Company with a nominal value of PLN 1 each.

Before the change, Mr. Jean Jaques Alphantera and APUS S.A. owned 145 965 shares of the Company, which constituted 4.97% of the share capital and held 145 965 votes from these shares, which constitutes 4.97% of the total number of votes at the General Meeting.

After the change, Mr. Jean Jaques Alphantera and APUS S.A. hold 145 965 shares of the Company, which constitutes 6.20% of the share capital and have 145 965 votes from these shares, which constitutes 6.20% of the total number of votes at the General Meeting.

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Note 12 - Retained Earnings

	As at 30 June 2022	As at 31 December 2021
Spare capital	75 632	54 590
Other reserve capitals	9 555	30 310
Profit for the previous period	4 517	-773
Profit for the period	97	6 143
Total	89 801	90 270

Note 13 – Current Bank Loans

	As at 30 June 2022	As at 31 December 2021
- loans	4 214	3 704

Information on bank loans

Name of the bank	Registered Office	Credit limit	Engagement amount	Repayment date	Terms of interest	Collateral
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By Elektromontaż Kraków S.A.

ING BANK Śląski	Katowice	3 000	2 495	19.11.2022	WIBOR for 1-month deposits ON in PLN + margin	Mortgage + promissory note
mBank S.A.	Warsaw	1 500	535	01.03.2023	WIBOR ON + margin	Mortgage + promissory note

By Pro-Inhut sp. z o.o.

ING Bank Śląski S.A.	Dąbrowa Górnicza	734	735	17.05..2022	WIBOR for 1 month deposits in PLN + margin	Guarantee by BGK Bank based on a portfolio agreement, Promissory note in blank.
ING Bank Śląski S.A.	Sosnowiec	400	398	30.07.2021	WIBOR for 1 month deposits in PLN + margin	Guarantee by BGK Bank based on a portfolio agreement, Promissory note in blank.
ING Bank Śląski S.A.	Sosnowiec	200	51	30.07.2021	WIBOR for 1 month deposits in PLN + margin	Guarantee by BGK Bank based on a portfolio agreement, Promissory note in blank.

Note 14- Trade Payables

	As at 30 June 2022	As at 31 December 2021
a) to associated entities and jointly-controlled entities	7	6
- under supplies and services, with maturity period:	7	6
- up to 12 months	7	6
b) to other entities	32 847	77 455
- under supplies and services, with maturity period:	32 847	77 455
- up to 12 months	32 847	77 455
- above 12 months	-	-
Total current trade payables	32 854	77 461
Non-current liabilities under security deposits seized with maturity period above 12 months	8 048	9 020
Total trade payables	40 902	86 481

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2022

Note 15 – Settlements under Non-current Agreements

	As at 30 June 2022	As at 31 December 2021
- amounts due from recipients under non-current contracts	16 774	14 996
amounts due from recipients under non-current contracts	16 774	4 996

	As at 30 June 2022	As at 31 December 2021
- amounts owed to recipients under non-current contracts:	2 482	5 803
a) current	2 482	5 803
amounts owed to recipients under non-current contracts	2 482	5 803

Description	As at 30 June 2022	As at 31 December 2021
Revenues according to contracts	901 597	917 129
Revenues invoiced	744 843	726 216
Liabilities planned under execution of contracts	824 320	853 158
Fulfilled liabilities under contracts	702 559	690 397
Amounts due from recipients	16 774	14 996
Amounts owed to recipients	2 482	5 803

Note 16 – Liabilities under Lease

Liabilities at the end of the period, including:	As at 30 June 2022	As at 31 December 2021
- liabilities under finance lease	823	1 117
- liabilities under right-of-use	32 118	25 543
Total non-current liabilities	32 941	26 660
Including current liabilities	3 822	4 923

Liabilities under finance lease

	Future minimum lease payments	Interest	Current value	Future minimum lease payments	Interest	Current value
In PLN thousands	In 2022	In 2022	In 2022	In 2021	In 2021	In 2021
Up to one year	355	0	355	468	33	501
1 to 5 years	468	0	468	649	23	672
total	823	0	823	1 117	56	1 173

Liabilities under right-of-use

	Future minimum lease payments	Interest	Current value	Future minimum lease payments	Interest	Current value
In PLN thousands	In 2022	In 2022	In 2022	In 2021	In 2021	In 2021
Up to one year	3 467	678	4 145	4 455	701	5 156

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2022

1 to 5 years	20 496	1 576	22 072	12 440	1 703	14 143
above 5 years	8 155	1 011	9 166	8 648	1 130	9 778
total	32 118	3 265	35 383	25 543	3 534	29 077

Note 17 – Other Liabilities

	As at 30 June 2022	As at 31 December 2021
a) to other entities	3 764	5 679
- financial liabilities	136	-
- under taxes, duties, insurance and other charges	2 875	4 961
- under remuneration	487	452
- other (by type)	266	266
liabilities to employees	13	24
liabilities to shareholders	16	16
liabilities under lease	-	28
other	237	198
b) other current provisions	7 161	6 726
- provision for costs accrued to the previous year, concerning	1 283	3 716
- provision to costs	3 994	968
- cost of audit	76	48
- current provision for retirement benefit	196	227
- provision for unused holiday leaves	1 612	1 767
Total other liabilities	10 925	12 405

Note 18 - Revenues from Sale of Services

Revenues from sale of services (type of service and type of activity)	Period ended 30 June 2022	Period ended 30 June 2021
- revenue from sale of services, including:	101 870	105 295
- from related entities	2 671	1 055
Revenues from sale of services (type of service and type of activity)	Period ended 30 June 2022	Period ended 30 June 2021
- revenues from sale of services, including:	101 870	105 295
- from related entities	2 671	1 055
Exports	-	-

Revenues under contracts for construction services (general contracting) and other services are presented in Note 25 – operating segments.

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

Information on major customers, whose total value of revenues from sales of services exceeds 10% of the total revenues disclosed in statement of profit and loss of the entity for the first half of 2022 is included in Note 25 – Operating segments.

Note 19 – Cost of Services Sold

Costs by type	Period ended 30 June 2022	Period ended 30 June 2021
a) amortization and depreciation	3 440	3 283
b) consumption of materials and energy	19 499	7 279
c) outsourcing	57 702	68 247
d) taxes and levies	126	131
e) remuneration	18 868	18 851
f) social security and other benefits	4 261	4 084
g) other costs by type	2 287	1 660
- property and personal insurance	663	372
- business trips	394	495
- State Fund for Rehabilitation of Disabled Persons PFRON	242	237
- rental of cars	133	131
- other	855	425
Total costs by type	106 183	103 535
Change in inventories, products and prepayments	-3 254	-1 215
General and administrative expenses (negative value)	-7 653	-7 311
Costs of services sold	95 276	95 009

Note 20 – Other Operating Income

	Period ended 30 June 2022	Period ended 30 June 2021
a) gain on sale of non-financial non-current assets	543	14
b) reversal of impairment allowance (due to)	-	30
- for receivables	-	30
c) other, including:	301	1 424
- return of litigation cost	-	130
- compensation, fines and penalties received	218	1 265
- release of provision	70	-
- other	13	29
Total other operating income	844	1 468

Note 21 – Other Operating Expenses

	Period ended 30 June 2022	Period ended 30 June 2021
a) loss on disposal of non-financial non-current assets	2	-
b) write-down (of)	264	-
- receivables	264	-
c) other, including:	3 152	353
- litigation costs	31	-
- fines, penalties and compensation paid	102	321
- actuarial valuation of employee benefits	-	4
- provision to future liabilities	3 000	-
- other	19	28
Total other operating expenses	3 418	353

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2022

In the first half of 2022, the Group created provisions for possible future costs related to the execution of contracts.

Note 22 – Financial Income

	Period ended 30 June 2022	Period ended 30 June 2021
a) interest under loans granted	356	226
- from jointly-controlled entities	356	226
b) other interest	74	-
- from other entities	74	-
c) surplus of positive exchange rate differences	581	2
d) other, including:	338	6
- revenues under discounted non-current liabilities	329	-
- other	9	6
Total financial income	1 349	234

Note 23 – Finance Costs

	Period ended 30 June 2022	Period ended 30 June 2021
a) interest on bank loans	109	24
b) interest on borrowings	3	-
c) other interest	560	579
- for other entities	21	10
- under lease	539	569
d) surplus of negative exchange rate differences	15	174
e) other, under :	691	397
- commission on bank guarantees	385	353
- commission on loans	-	25
- costs under discount of financial assets	262	-
- other costs	44	19
Total finance costs	1 378	1 174

Note 24–Additional Disclosures to the Statement of Cash Flows

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

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

	30 June	
	In 2022	In 2021
Change in current receivables	35 453	13 865
Receivables as at 1 January	87 288	75 099
Amounts due from recipients under contracts as at 1 January	14 996	13 163
Other bassets as at 1 January	998	879
Receivables under seized security deposits as at 1 January	231	883
Opening balance sheet after adjustments	103 513	90 024
Receivables as at 30 June	46 144	53 500
Amounts due from recipients under contracts as at 30 June	16 774	21 595
Other assets as at 30 June	4 865	957
Receivables under seized security deposits as at 30 June	277	226
Receivables from non-current assets sold	-	-119
Closing balance sheet after adjustments	68 060	76 159
Change in current liabilities except for current loans and special funds	-49 372	-27 067
Trade payables as at 1 January	77 461	60 951
Other liabilities as at 1 January	12 405	8 501
Amounts owed to suppliers under contracts as at 1 January	5 803	20 486
Liabilities under seized security deposits as at 1 January	9 020	14 291
Provision for current retirement benefits	-228	-359
Provision for annual leaves	-1 767	-1 720
Provision for audit	-48	-62
Provision for current other costs	-1 579	-1 565
Investment commitments	-8	-55
Liabilities to shareholders	-15	-16
Opening balance sheet after adjustments	101 044	100 452
Trade payables as at 30 June	32 854	43 712
Amounts owed to recipients under contracts as at 30 June	2 482	16 184
Other liabilities as at 30 June	10 925	7 226
Liabilities under seized security deposits as at 30 June	8 048	10 295
Provision for current retirement benefits	-196	-333
Provision for annual leaves	-1 612	-1 569
Provision for audit	-76	-30
Provision for current other costs	-177	-1 920
Investment commitments	-560	-62
Liabilities to shareholders	-16	-119
Closing balance sheet after adjustments	51 672	73 385
Change in other adjustments as at 30 June	519	1 001
Change in deferred income – advances received	-361	-48
Other	880	1 049

Note 25– Operating Segments

In the period from January 1, 2022 to June 30, 2022, there were no revenues from operations generated outside Poland (Exports) in the same period of the previous year, and the Group did not generate revenues from Exports.

Information on major customers, which share in sales revenue for the first half of 2022 exceeded 10% of the total sales revenue:

- A Client, who deals in the production of chemical raw materials – sales revenue – PLN 19 081 thousand, representing 18.6 % of the sales revenue, which were disclosed in the segment „General contracting” and „Design services and other engineering services”.
- A Client dealing in the production of artificial fertilizers – sales revenue PLN 25 823 thousands, representing 25.1% of the sales revenue, which were disclosed in the segment „General contracting”.

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

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2022

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

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2022

Note operating segments - continuation

For the period from 01.01.2021 to 30.06.2021	General contracting	Design services, other engineering services	Rental of construction equipment	Assembly of electrical installations	Rental of office space and real estate	Maintenance of real estate	Commercial activity	Other IT services	Other	Items not assigned	Razem
Revenues to external clients	67 610	15 984	209	17 056	2 342	37	600	1 528	529	-	105 895
Total segment assets	67 610	15 984	209	17 056	2 342	37	600	1 528	529	-	105 895
Result of the segment	4 483	-1 756	-336	61	535	0	57	237	-249	-	3 032
Financial income										354	354
Finance costs										-1 174	-1 174
Net financial income										-820	-820
Profit sharing in entities valued using the equity method										2 505	2 505
Profit on other operating activities										1 116	1 116
Before tax profit										5 833	5 833
Income tax										1 194	1 194
Profit for the current period										4 639	4 639
Loss assigned to non-controlling interest										-22	-22
Profit for the period assigned to shareholders of the parent entity										4 661	4 661
Segment assets (related to activity)	47 061	4 393	282	15 920	22 103	-	-	-	299	-	90 058
Unallocated /not assigned assets (among others shares and other financial assets)										138 045	138 045
Total assets	47 061	4 393	282	15 920	22 103	-	-	0	299	138 045	228 103
Amortyzacja rzeczowych aktywów trwałych	182	819	35	500	847	-	-	31	43	792	3 249
Amortyzacja wartości niematerialnych	-	4	-	7	-	-	-	-	-	23	34
Aktywa ogółem	60 210	7 516	281	7 297	24 189	56	196	263	296	152 683	252 987
Depreciation of property, plant and equipment	196	721	46	-	861	-	-	31	46	1 157	3 058
Amortisation of intangible assets	-	1	-	-	-	-	-	2	-	33	36

Information on the geographical areas

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

	01.01-30.06.2022	01.01-30.06.2021
Poland	105 851	105 895
Total sales revenue	105 851	105 895

Geographical breakdown of property, plant and equipment and intangible assets

	30.06.2022	30.06.2021
Poland	15 506	17 146
Total property, plant and equipment and intangible assets	15 506	17 146

Note 26- Profit per One Share

Net profit per 1 share of the Parent Entity remaining in trade as at 30 June 2022 was PLN 0.04, and for the analogous period of 2021 was PLN 1.19.

Note 27 – Profit Distribution and Loss Coverage

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

Pursuant to the Resolution No. 16 of the Ordinary General Meeting of June 27, 2022 the Issuer's net profit for 2021 in the amount of PLN 2,712,506.66 was entirely allocated to the reserve capital.

Note 28 - Dividends

The Issuer did not pay dividend for 2021.

Note 29 - Financial Instruments and Financial Risk Management

29.1 Categories and classes of financial instruments

Financial assets

30 June 2022

	Note no.	Categories of financial instruments	
		Loans, receivables and other	Total
Receivables from supplies and services	8	44 625	44 625
Amounts due from recipients under contracts	15	16 774	16 774
Cash		45 856	45 856
Security deposits constituting collateral	9	7 750	7 750
Loans granted	6	-	-
Total		115 005	115 005

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2022

31 December 2021	Categories of financial instruments		
		Loans, receivables and other	Total
Classes of financial instruments	Note No.		
Receivables from supplies and services	8	85 733	85 733
Amounts due from recipients under contracts	15	14 996	14 996
Cash		14 394	14 394
Security deposits constituting collateral	9	8 658	8 658
Loans granted	6	17 000	17 000
Total		140 781	140 781

Financial liabilities

30 June 2022		Financial liabilities measured at amortized cost	Total
Classes of financial instruments	Note No.		
Amounts owed to recipients under contracts	15	2 482	2 482
Trade payables	14	40 902	40 902
Borrowings	19	700	700
Loans	13	4 214	4 214
Total		48 298	48 298

31 December 2021		Financial liabilities measured at amortized cost	Total
Classes of financial instruments	nota		
Amounts owed to recipients under contracts	15	5 803	16 184
Trade payables	14	86 481	54 007
Borrowings	13	3 704	3 231
Loans	19	700	700
Total		96 688	96 688

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

Classes of financial instruments	31 December 2020	31 December 2021
Receivables from supplies and services	4 525	4 261
Total	4 525	4 261

Impairment allowances of financial assets are presented in note 8.

29.3. Liquidity risk related to the concentration of sales revenue

Prochem S.A. Capital group realized in the first half of 2022 sales revenue in the amount of PLN 101 851 thousand. Customers whose sales revenue exceeded 10% of sales revenue disclosed in the profit and loss account are listed in note 25.

Note 30 – Collateral Granted and Received and Contingent Liabilities and Contingent Assets

	As at 30 June 2022	As at 31 December 2021
Collateral granted		
Bank guarantee of good performance and statutory warranty	66 238	31 143
Tender guarantee	500	25
Guarantee of payment	2 451	1 058
Guarantee of return of advance payment	131	3 363
Total guarantee granted	69 320	35 589
Total collateral granted and contingent liabilities	69 320	35 589
Collateral received		
	As at 30 June 2022	As at 31 December 2021
Guarantee for advance payment	14 413	-
Bank guarantee of good performance	-	20 519
Promissory notes guarantees securing the terms of the contract	450	450
Total collateral received	14 863	20 969

Note 31 - Related Party Transactions and Transactions with Key Management Staff

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

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

In the first half of 2022 key management personnel and persons related to key management personnel, in addition to remuneration did not conclude other transactions with the Issuer and the companies from the Capital Group.

In the first half of 2022 in the Issuer's enterprise was paid remuneration:

- to the Members of the Management Board in total amount of PLN 874,9 thousand,
- to the Members of the Supervisory Board in total amount of PLN 156 thousand.

Remuneration paid to Members of the Management Board and Supervisory Board in the first half of 2022 for performing functions in Management Boards and Supervisory Boards of companies included in the capital group amounted to PLN 139,7 thousand.

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

Settlements with related entities include receivables, trade payables and financial liabilities. Guarantees and sureties granted to related entities are presented in note 30.

Interim condensed consolidated financial statements of the PROCHEM S.A. Capital Group as at and for the period of 6 months ended 30 June 2022

Reporting period

(in PLN thousands)

from 1 January to 30 June 2022

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

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

As at 30 June 2022

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

Comparative period

from 1 January to 30 June 2021

	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	1 055)**	1 663	226	-	-

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

As at 30 June 2021

	Trade receivables	Receivables under loans granted	Other receivables	Trade payables	Liabilities under loans granted
Jointly-controlled entities and associated entities	53	17 114	-	-	-

Note 32 – Events after the Balance Sheet Date

On August 9, 2022, on the basis of an agreement of sale of shares, Prochem Inwestycje Sp. z o. o. purchased 1,145 shares of Przedsiębiorstwo Konsultingowo-Inżynieryjne Predom Spółka z o. o. with a nominal value of PLN 50 each. The parties set the purchase price of the shares at PLN 400 per share, the total purchase price was PLN 458,000. Before the transaction, Prochem S.A. held a direct and indirect share in the share capital of the company in the amount of 81.7%, and in the voting rights in the

amount of 72.3%, after the transaction, the share in the capital is 91.41%, and in the voting rights is 91.41%.

On September 24, 2022, the XLIV Extraordinary General Meeting (EGM) of Prochem S.A. was held, at which a resolution was adopted on consent to the acquisition by Prochem S.A. of own shares for redemption. Pursuant to Resolution no. 4, the Extraordinary General Meeting of Prochem S.A. authorizes and obliges the Management Board of Prochem S.A. to purchase own shares in the total number not exceeding 350,000 shares, with the total nominal value not exceeding PLN 350,000. The purchase price of own shares was set at PLN 36, the total purchase price of own shares will not exceed PLN 12,600,000.00. The time for the purchase of own shares was set from September 24, 2022 to November 30, 2022.

Note 33- Other Explanatory Notes to Interim Condensed Consolidated Financial Statements

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

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

- Marek Kiersznicki – 44,327 pcs.;
- Krzysztof Marczak – 30,268 pcs.;
- Marek Garliński – 49,929 pcs.;
- Andrzej Karczykowski – 111,692 pcs.;
- Jarosław Stępniewski – 50,206 pcs.;

The nominal value of 1 share is PLN 1.

In the first half of 2022, 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

The Group participates in a few of tender procedures, which, if successful, may lead to the signing of several significant orders, and as a result, in the following quarters, improve both revenues from sales of services and results on operations.

Factors that may affect the future financial results of the Prochem S.A. Capital Group:

- significant increase in inflation and market interest rates;
- the risk of recession occurrence in the economy;
- increase in operating and financial costs related to inflation and increase in energy prices;
- the impact of the war in Ukraine;
- the impact of the Covid-19/coronavirus pandemic.

Note 34 - Approval of the Consolidated Financial Statements

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group for the period from 1 January 2022 to 30 June 2022 were approved for issue by the Management Board of Prochem S.A. on September 27, 2022.

Signatures of the Members of the Management Board

27.09.2022	Marek Kiersznicki	President of the Management Board signature
date	name and surname	position	

27.09.2022	Krzysztof Marczak	Vice President of the Management Board signature
date	name and surname	position	

27.09.2022	Michał Dąbrowski	Vice President of the Management Board signature
date	name and surname	position	

Signature of person responsible for bookkeeping

27.09.2022	Barbara Auguścińska-Sawicka	Chief Accountant signature
date	name and surname	position	