SEPARATE FINANCIAL STATEMENTS OF PROCHEM S.A.

as at and for the period ended 31 December 2021

PROCHEM S.A.
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Poland

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Separate financial statements of the Company Prochem S.A.

Notes on adopted accounting principles (policy) and other explanatory notes

Separate statement of financial position as at 31 December 2021

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 31 December 2021	As at 31 December 2020
A s s e t s			
Non-current assets			
Property, plant and equipment	1	1 089	1 150
Intangible assets	2	50	40
Right-of-use assets	3	10 027	11 910
Shares	4	5 593	8 478
Shares in equity-accounted investees	5	4 502	4 502
Deferred tax assets	6	1 199	1 323
Non-current receivables under retained security deposits		61	883
Other financial assets	7	22 628	34 734
Total non-current assets		**45 149**	**63 020**
Current assets			
Inventories	8	299	3 594
Trade and other receivables	9	63 990	61 232
Receivables due to current income tax		138	756
Amounts due from recipients under contracts	18	8 636	7 019
Other financial assets	10	8 658	9 669
Other assets	11	809	687
Cash and cash equivalents		11 254	20 854
Total current assets		**93 784**	**103 811**
Total assets		**138 933**	**166 831**
E q u i t y a n d l i a b i l i t i e s			
Equity			
Share capital	12	2 935	2 935
Shares		-580	-
Revaluation reserve	13	-538	-449
Retained earnings	14	42 217	54 004
Total equity		**44 034**	**56 490**
Non-current liabilities			
Provisions for retirement and similar benefits	15	827	713
Non-current loans	16	950	950
Non-current liabilities under retained security deposits		9 266	15 359
Lease liabilities	19	6 937	9 221
Total non-current liabilities		**17 980**	**26 243**
Current liabilities			
Trade payables	17	57 634	55 481
Amounts owed to recipients under contracts	18	5 803	20 486
Lease liabilities	19	3 342	2 946
Other liabilities	20	10 140	5 185
Total current liabilities		**76 919**	**84 098**
Total liabilities		**94 899**	**110 341**
Total equity and liabilities		**138 933**	**166 831**

Separate statement of profit and loss
From 1 January 2021 to 31 December 2021
(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 31 December 2021	Period ended 31 December 2020
Revenues from sale, including :		189 851	320 775
Revenues from sale of services	21	188 202	317 905
Revenues from sale of goods and materials	22	1 649	2 870
Cost of sales, including :		-178 814	-298 118
Cost of services sold	23	-177 245	-295 493
Cost of merchandise and raw materials		-1 569	-2 625
Gross profit on sales		**11 037**	**22 657**
General and administrative expenses	23	-9 346	-8 814
Other operating income	24	1 600	962
Other operating costs	25	-374	-939
Results from operating activities		**2 917**	**13 866**
Financial income	26	2 683	819
Gain on liquidation of subsidiary		120	-
Finance expenses	27	-1 909	-1 801
Before tax profit		**3 811**	**12 884**
Income tax expense :	28	1 098	2 808
- current tax		952	3 352
- deferred tax		146	-544
Profit for the period		**2 713**	**10 076**
Weighted average number of ordinary shares (in pcs.)		2 355 000	2 935 000
Profit (loss) per one share (in PLN per share) assigned to owners of the Parent Company		1.15	3.43

Separate statement of comprehensive income

	In 2021	In 2020
Profit for the period	**2 713**	**10 076**
Other comprehensive income net	**-89**	**-59**
Other comprehensive income that will be reclassified to profit and loss under certain conditions:	**0**	**0**
Other comprehensive income that will not be reclassified to profit and loss (before tax):	**--110**	**-59**
Actuarial profit (loss) on valuation of provisions for employee benefits	-110	-72
Income tax on other comprehensive income	-21	-13
Total comprehensive income	**2 624**	**10 017**
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)	1.11	3.41

Separate statement of changes in equity
(all amounts in PLN thousands if not stated otherwise)

	Share capital	Shares	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2021 to 31 December 2021					
As at the beginning of the period	**2 935**	**-**	**-449**	**54 004**	**56 490**
Net profit of the given period	-	-	-	2 713	**2 713**
Other comprehensive income (net)	**-**	**-**	***-89***	**-**	**-89**
Repurchase of own shares	-	-580	-	-14 500	-15 080
Total comprehensive income	**-**	**-580**	**-89**	**-11 787**	**-12 456**
As at the end of the period	**2 935**	**-580**	**-538**	**42 217**	**44 034**

	Share capital	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2020 to 31 December 2020				
As at the beginning of the period	**2 935**	**-390**	**43 928**	**46 473**
Net profit of the given period			10 076	**10 076**
Other comprehensive income (net)		***-59***	**-**	**-59**
Total comprehensive income	**-**	**-59**	**10 076**	**10 017**
As at the end of the period	**2 935**	**-449**	**54 004**	**56 490**

Separate statement of cash flows
from 1 January 2021 to 31 December 2021
(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 December 2021	**Period ended 31 December 2020**
Cash flows – operating activities		
Before tax profit	3 811	12 884
Total adjustments	-10 098	-8 508
Amortization and depreciation	3 815	3 500
Interest and profit sharing (dividends)	-856	176
(Profit) loss from disposal of property, plant and equipment	-4	-
(Profit) loss from disposal of shares	-98	-
Change in provisions	-1 472	137
Change in inventories	3 295	-1 138
Change in receivables and other assets	-3 675	7 940
Change in current liabilities except for borrowings and loans	-12 035	-19 516
Other adjustments (including deferred income)	933	392
Cash provided by (used in) operating activities	**-6 287**	**4 376**
Income tax paid	334	4 108
Net cash provided by (used in) operating activities	**-6 621**	**268**

Cash flows – investing activities		
Inflows	**17 454**	**2 847**
Disposal of intangible assets and property, plant and equipment	-	-
Inflows from financial assets	17 454	2 847
- in related entities	17 454	2 847
capital distribution in liquidated subsidiary	4 006	-
repayment of loan	11 500	500
Repayment of interest on loans granted	1 948	2 347
Outflows	**-1 587**	**-396**
Acquisition of intangible assets and property, plant and equipment	-565	-396
Outlays on financial assets	-1 022	-
- in related entities	-1 022	-
Acquisition of shares in subsidiary	-1 022	-
Net cash provided by (used in) investing activity	**15 867**	**2 451**
Cash flows – financing activity		
Inflows	**-**	**5**
Other financial proceeds	-	5
Outflows	**-18 846**	**-3 573**
Acquisition of own shares	-15 080	-
Payment of liabilities under operating lease IFRS 16	-3 682	-3 393
Interest and commission paid	-55	-151
Interest on loans paid	-29	-29
Net cash provided by (used in) financing activity	**-18 846**	**-3 568**
Total cash flows, net	-9 600	-849
Increase/(decrease) in cash and cash equivalents net	-9 600	-849
Cash and cash equivalents at the beginning of the period	**20 854**	**21 703**
Cash and cash equivalents at the end of the period	**11 254**	**20 854**
Including restricted cash	**1 363**	**445**

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

1. Establishment of the Company and 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

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

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

In the period from January 1st, 2021 to December 31st 2021 there was a change in the position of the President of the Management Board of the Company.
President of the Management Board, Mr. Jarosław Stępniewski, resigned from membership in the Management Board of the Company as of June 23, 2021. By a resolution of the Supervisory Board on May 26, 2021 the Supervisory Board appointed the Management Board for the next term of office composed of:
Marek Kiersznicki - President of the Management Board
Krzysztof Marczak – Vice President of the Management Board
Michał Dąbrowski- Member of the Management Board

The three-year joint term of the company's management board began on June 25, 2021.

Composition of the Supervisory Board of Prochem S.A.

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

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

In the period from January 1st, 2021 to December 31, 2021 there was a change in the composition of the Company's Supervisory Board.

1.2. Employment

Average employment in 2021 was 203 FTEs, and in 2020 203 FTEs. Level of employment in persons as at December 31, 2021 was 202 , and as at December 31, 2020 202.

2. Adopted Accounting Principles

2.1. Principle of presentation

Separate financial statements was prepared according to International Financial Reporting Standards endorsed by European Union.
The separate financial statements consist of the statement of financial position, the statement of profit and loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and explanatory notes.

The financial statements was prepared based on the principle of the historical cost.

Company Prochem S.A. is the Parent Entity in the Capital Group and prepares consolidated financial statements.

The preparation of the financial statements is based on the assumption that the Company will continue its operations as a going concern in the foreseeable future. The circumstances described in note 38 were analyzed and, in the opinion of the Management Board, they do not affect the entity's ability to continue as a going concern.

2.2. Changes in accounting estimates and 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 hereby separate financial statements hereby, we applied the same accounting principles and the same calculation methods which were applied in the financial statements of Prochem for the year ended December 31, 2020.

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

The International Accounting Standards Board (IASB) approved amendments to the standards for application after January 1, 2021:
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 regarding the reform of the interest rate banchmark – IBOR reform.

Approved by the IASB for use after April 1, 2021:
- Amendments to IFRS 16 - simplification regarding changes resulting from leasing contracts in connection with COVID-19.

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

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

Approved by the IASB for use from January 1, 2022:

- Amendments to IFRS 3 - update of references to the Conceptual Framework,
- Amendments to IFRS 16 - revenues generated before aset is put into use,
- Amendments to IFRS 37 - clarifications on costs recognized in the analysis of whether the contract is an onerous contract,
- Annual amendments to IFRS 2018-2020. - the amendments explain and clarify the guidelines of the standards for recognition and measurement; IFRS 1, IFRS 9 and IFRS 41 and the illustrative examples to IFRS 16,
- Amendments to 17.

The company expects that the above standards will not have a significant impact on the financial statements of Prochem S.A.

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

2.4 Remaining accounting principles applied by the Company

Property, plant and equipment and intangible assets

Property, plant and equipment include non-current assets and expenditures on construction in-progress which the entity intends to use in their business operations in a period longer than one year, and which will result in future economic benefits to the entity.
Expenditures on property, plant and equipment include incurred investment expenditures as well as incurred expenses on future supply of machinery, equipment and services relating to production of PPE (transferred advance payments).
PPE are initially stated at cost. Measurement after initial recognition:

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

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

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

Expenditures on PPE incurred at a later date are recognized at their carrying amount when it is probable that future economic benefits associated with them will flow to the entity, and this cost could be reliably measured. All other repair and maintenance costs of PPE are recognized in the cost of the period, in which they were incurred.

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

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

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

The correctness of the applied useful lives, of depreciation methods is verified at the end of each reporting year, and in justified cases is adjusted.

Own land is not subject to depreciation.

PPE in-progress arising for the operating activity, as well as for purposes not yet identified, are presented in the financial statements at their cost less recognized impairment losses. The cost of all items comprises all fees and borrowing costs capitalized in accordance with the applied accounting principles.
PPE are subject to the impairment tests, if premises for impairment exist, while in case of PPE in progress, the possible impairment is determined at least for each balance sheet day. The effects of the impairment are recognized in other operating costs.
The component of intangible assets is measured at cost less any depreciation allowances and any impairment losses.
Intangible assets, except for the goodwill are being amortized. Amortization allowances of intangible assets is made by systematic, planned allocation of the initial value in the established useful life of the component. A straight line of amortization method is applied.

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

The correctness of the applied useful lives, of depreciation methods is verified at the end of each reporting year, and in justified cases is adjusted in the current and in subsequent periods.

Intangible assets are subject to the impairment tests if premises for impairment exist. The effects of the impairment are recognized in other operating costs.

Leases

The company as the lessee

At the time of concluding a new contract, the Company assesses whether the contract is a lease or whether it contains a lease. The contract is a lease or contains a lease if it provides the right to control the use of the identified asset for a given period in exchange for remuneration. To assess whether the right to exercise control over the use of an asset over a given period is vested under the contract, the Company assesses whether it has the following rights jointly over the entire useful life:
a) the right to obtain substantially all economic benefits from the use of the identified asset, and
b) the right to direct the use of the identified asset.

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

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

Initial recognition and measurement

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

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

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

After the commencement date of the lease, the right-of-use asset is measured by:
- an increase in the carrying amount to reflect interest on the lease liability,
- a decrease in the carrying amount to reflect the paid lease payments and
- updating the balance sheet valuation to include any reassessment or change of the lease or to include updated fixed lease payments.

Depreciation
Right-of-use assets are depreciated on a straight-line basis over the shorter of the two periods: the lease period or the useful life.
The useful life of right-of-use assets is determined in the same way as for property, plant and equipment.

The company has lease contracts regarding the use of:

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

The Company applies simplifications to lease contracts that have the maximum possible duration, including extension options, up to 12 months. Lease fees resulting from these contracts are accounted for as costs:
- on a straight-line basis over the duration of the contract,
- another systematic method if it better reflects the way in which the beneficiary benefits are distributed over time.

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

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

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

The company as the lessor

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

Borrowing costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except for costs that are directly attributable to the acquisition, construction or production of an asset (PPE, intangible assets). Capitalization of borrowing costs commences when:
1. borrowing costs are incurred,
2. expenditures are incurred for the asset,
3. the activities necessary to prepare the asset for its intended use or sale are undertaken.

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

Investments in subsidiaries, associates or in joint ventures

The Company measures the value of shares at cost, i.e. at the price of the purchase reduced by any impairment losses.
The fair value of investment on the date when it ceases to be a subsidiary shall be treated as the purchase price at the moment of initial measurement as financial asset.

***Inventory* –** item of Inventory includes - materials, goods, semi-finished products, and work-in-process.
Inventories are measured initially at cost. As at the balance sheet day the measurement of goods and materials is done with the prudence accounting principle, that is the categories are valued at the lower of following - purchase price, the production cost or the net realizable value.
Stocks of slowly-rotating goods and materials are covered among others by the write-downs created according to individual evaluation of the realizable price as at the balance sheet day.
Flows of stocks are done at using the FIFO method - "first-in", "first-out".
Write-downs concerning inventory and their reversals are recognized in the other operating expenses and revenues from operating activities.

Measurement of financial instruments – IFRS 9

IFRS 9 provides for three categories of debt instrument classification:
- at amortized cost,
- at fair value through other comprehensive income,
- at fair value through profit or loss.
The classification of debt instruments in accordance with IFRS 9 is based on the business model used by the entity to manage financial assets and whether the contractual cash flows include only principal and interest payments. An entity's business model means the way in which an entity manages its financial assets to generate cash flows and create value. If a financial instrument is held to generate cash flows, it is classified as measured at amortized cost, provided that it solely includes principal and interest payments.

Impairment of financial instruments

IFRS 9
At the moment of initial recognition, financial assets should be classified into one of three categories:
• financial assets measured at amortized cost;

• financial assets measured at fair value through profit or loss; or
• financial assets measured at fair value through other comprehensive income.

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

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

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rinse on specified dates to cash flows which are solely payments of principal and interest on the principal outstanding.

Component of financial assets is classified into the category of measured at fair value through other comprehensive income if:

- the Company's objective is to hold assets in order both to receive cash flows from the contracts as well as their selling,
- its contractual terms give rinse on specified dates to cash flows which are solely payments of principal and interest on the principal outstanding.

Other financial assets are measured at fair value through profit or loss for the current period.

The classification of financial assets is presented below.

Classes of financial instruments	**Classification under IFRS 9**
Financial assets available for sale	Measured at fair value through profit or loss
Security deposits under contracts for construction	Measured at amortized cost
Trade and other receivables	Measured at amortized cost
Loans granted	Measured at amortized cost
Derivative financial instruments not covered by hedge accounting	Measured at fair value through profit or loss

IFRS 9 did not introduce changes to the classification of financial liabilities.

In the scope of hedge accounting, the Company has decided to continue the existing measurement and classification methods.
To estimate the expected credit losses in relation to trade receivables, the Company used a simplified method permitted by IFRS 9 which introduces an approach to estimating impairment of financial assets based on the impairment model. This model is based on the calculation of expected losses. To estimate used a simplified method permitted by IFRS 9. For the purposes of estimating the expected credit loss, the Company uses a provision ratio, which takes into account historical data.
Taking into account the above calculation methodology for expected credit losses, the value of receivables may also be updated individually in case if in the individual assessment of the Management Board the risk of non-recoverability is significant, in particular in relation to:
- receivables from contractors put in liquidation or bankruptcy
- debts questioned by debtors, and such when the debtor is in arrears, and according to the assessment of the debtor's property and financial situation, the repayment of the contractual receivable is fraught with significant risk.

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

Loans granted - arise when the entity is transferring financial means directly to the debtor, and is not intending to enter the receivable into trade. They are classified as current assets, provided the date if their maturity does not exceed 12 months from the balance sheet day. Loans with the maturity date exceeding 12 months starting from the balance sheet day are classified as non-current assets. Loans are initially recognized at their fair value. The measurement of loans at later date is done at amortized cost, using the effective interest rate method, less possible impairment losses.

Receivables - are initially recognized at fair value, and then measured according to IFRS 9**.**

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

Dividend payments to shareholders of the Company is recognized as liability in the financial statements of the Company, at the time when a relevant resolution was passed at the General Meeting of Shareholders of the Company.

Provisions - are established in the justified, credibly assessed value. Provisions are created when obligation (legal or customary) resulted from the past events rests on the company, and when it is probable, that fulfilling of this duty will result in the necessity of the outflow of financial means, and the amount of this liability may be credibly estimated.

Employee benefits - the company pays the contributions to the obligatory retirement benefit plan, depending on the amount of gross wages, which is paid in accordance with the applicable laws. The Company has no other retirement benefit plans.
Pursuant to the Remuneration Regulations, employees of the Company are entitled to receive one-off retirement and pension benefits in the event of termination of employment in connection with retirement or pension. The above-mentioned severance payments are benefits after the period of employment paid when the employee no longer performs work, therefore the expenses related to them are spread over the entire period of employment of the employee by making current allowances for provisions for benefits. The current amounts of provisions and write-downs are determined by an external actuarial office individually for each employee in accordance with the "projected entitlement for person" methodology. The accrued provisions constitute the current expected value of future long-term liabilities of the Company due to severance payments less the current expected values of future write-downs, which will be made until the employee is entitled to benefit from them.

Actuarial assumptions used for calculations are determined based on the Company's historical data, market data and forecasts. They include demographic and financial indicators, including rotation rates, mortality tables, tables of total disability, indicators of postponing the moment of taking advantage of pension rights after their acquisition, rates of increase in benefits bases, interest rate for discounting.

The Company recognizes the following components of the change in provisions for severance pay in the reporting period:
- costs of current employment (current allowance) recognized in profit and loss,
- use of provisions for payment of benefits,
- interest cost reflecting the change in the amount of provisions in connection with the passage of time, recognized in profit and loss.
- actuarial gains/losses arising in connection with the materialization in the reporting period of phenomena reflected by actuarial assumptions adopted at the beginning of the period and as a result of updating of assumptions, done at the end of the period, being recognized in full in Other comprehensive income due to the fact that all relate to post-employment benefits,

- past employment costs occasionally appearing as a positive or negative offsetting of write-offs made in previous periods and the current period, resulting from a change in the conditions of benefits (such as change in retirement age) or introduction/restriction of a benefit plan, recognized in profit or loss for the period.

Equity

Equity is recognized in the accounting books by its type, in accordance with principles pursuant to legal regulations and with the Statutes of the Company. Equity includes:

- Founding capital – shares capital shown in the nominal value of the issued and registered shares.
- Revaluation reserve includes:
  - the revaluation difference between the fair value and the purchase price, less deferred tax among others on buildings, constructions, land and investment property measured at fair value,
  - capital arisen from the foreign exchange differences – from translation of the foreign operations of Representation Office,
  - actuarial gains and losses resulting from the changes in actuarial assumptions (including those due to change in discount rate).
- Retained earnings, which include:
  - Spare capital, which is created from the surpluses of sale of shares above its nominal value, and from annual write-downs of net profits and write-downs of revaluation of property, plant and equipment in the previous years,
  - Reserve capital which arose from the profit allocated to equity,
  - Undistributed profit/loss brought forward and profit (loss) of the current year,
  - Advance payments paid on account of dividends.

Revenues from sales – include in particular revenue from execution of contracts of construction services (general contracting) and design and engineering services. From 1 January 2018, the Company applies the principles of IFRS 15 taking into account the assumptions adopted in this model. This model assumes that revenues are recognized when (or to the extent to which) the entity transfers control over the goods or services to the client and in the amount to which the entity expects to be entitled. Depending on the meeting of determined criteria, the revenues:
- are distributed over time in a way that reflects the implementation of the contract by the entity, or to which entity expects to be entitled.
- are recognized once, in such a time when the control over the goods or services is transferred to the customer.

Revenues from the contracts for construction services (general contracting) and the design and engineering services are determined in proportion to the level of the progress of the service. The level of progress of the service is measured by the share of costs incurred from the date of the contract to the date of recognition of income in the total cost of the execution of service.

Correctness of calculations of the level of the progress of service as well as expected the total expenses and revenues from the performing of the service is verified at the end of each quarter.

Revenues from sale of goods and materials are recognized in the profit and loss account when the control over goods has been transferred to the client.

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

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

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

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

2.5. Seasonality

Operational activity of the Company 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.

Transactions in foreign currencies

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

2.6. Functional currency and presentation currency of financial statements

The financial statements is presented in thousands of Polish Zlotys ('zloty' or 'PLN') which is the functional currency and presentation currency.
The financial result and financial position of the Representation Office are translated using the following procedures:

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

3. Explanatory notes to separate financial statements as at 31 December 2021 and for the period of twelve months of 2021

Note 1 – Property, Plant and Equipment

	31 December 2021	31 December 2020
Property, plant and equipment, including:	1 089	1 150
- machinery and equipment	730	672
- other PPE	359	478
Total property, plant and equipment	**1 089**	**1 150**

Property, plant and equipment - ownership structure	31 December 2021	31 December 2020
a) own	1 089	1 150
Balance sheet property, plant and equipment	**1 089**	**1 150**

Change in property, plant and equipment – 2021

	Land, including the right of perpetual usufruct of land	Buildings, premises and civil engineering objects	Machinery and equipment	vehicles	Other PPE	Construc tion under progress	Total PPE
Gross value							
As at 1 January 2021	**-**	**-**	**3 691**	**68**	**2 566**	**-**	**6 325**
Increase (due to)	-	-	450	-	16	-	466
- acquisition	-	-	450	-	16	-	466
Decrease (due to)	-	-	-58	-	-71	-	-129
- sale	-		-	-	-8	-	-8
- liquidation	-	-	-58	-	-63	-	-121
As at 31 December 2021	**-**	**-**	**4 083**	**68**	**2 511**	**-**	**6 662**
Depreciation and impairment							
As at 1 January 2021 - accumulated depreciation	**-**	**-**	**3 019**	**68**	**2 088**	**-**	**5 175**
Depreciation for the period (under)	-	-	334	-	64	-	398
- increase – depreciation for the period	-	-	392	-	132	-	524
- decrease under sale	-	-	-	-	-5	-	-5
- decrease under liquidation	-	-	-58	-	-63	-	-121
As at 31 December 2021 - accumulated depreciation	**-**	**-**	**3 353**	**68**	**2 152**	**-**	**5 573**
Impairment of PPE	-	-	-	-	-	-	-
Net value of PPE as at 31 December 2021	**-**	**-**	**730**	**-**	**359**	**-**	**1 089**

Changes in property, plant and equipment – 2020

	Land, including the right of perpetual usufruct of land	Buildings, premises and civil engineering objects	Machinery and equipment	Vehicles	Other PPE	Construction under progress	Total PPE
Gross value							
As at 1 January 2020	**-**	**-**	**3 342**	**68**	**2 522**	**-**	**5 932**
Increase (under)	-	-	360	-	64	-	424
- acquisition	-	-	360	-	64	-	424
Decrease (due to)	-	-	-11	-	-20	-	-31
- liquidation	-	-	-11	-	-20	-	-31
As at 31 December 2020	**-**	**-**	**3 691**	**68**	**2 566**	**-**	**6 325**
Depreciation and impairment							
As at 1 January 2020 – accumulated depreciation	**-**	**-**	**2 787**	**68**	**1 897**	**-**	**4 752**
Depreciation for the period (under)	-	-	232	-	191	-	423
- increase – depreciation for the period	-	-	242	-	210	-	452
- decrease due to liquidation	-	-	-10	-	-19	-	-29
As at 31 December 2020 - accumulated depreciation	**-**	**-**	**3 019**	**68**	**2 088**	**-**	**5 175**
Impairment of PPE	-	-	-	-	-	-	-
Net value PPE as at 31 December 2020	**-**	**-**	**672**	**-**	**478**	**-**	**1 150**

Note 2 – Intangible Assets

	31 December 2021	31 December 2020
Acquired concessions, patents, licenses and similar assets including computer software	50	40
Total intangible assets	**50**	**40**
Owners structure		
- own	50	40
Total intangible assets	**50**	**40**

Change in intangible assets – 2021

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2021	**2 558**	**2 558**
Increase/decrease	52	52
acquisition	52	52
As at 31 December 2021	**2 610**	**2 610**
Amortization and impairment		

As at 1 January 2021 – accumulated amortization	**2 518**	**2 518**
Amortization for the period (under)	42	42
- increase (amortization accrued)	41	41
- other changes	1	1
As at 31 December 2021 - accumulated amortization	**2 560**	**2 560**
Net intangible assets as at 31 December 2021	**50**	**50**

Change in intangible assets – 2020

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2020	**2 804**	**2 804**
Increase, decrease	-	-
As at 31 December 2020	**2 804**	**2 804**
Amortization and impairment		
As at 1 January 2020 - accumulated amortization	**2 715**	**2 715**
Amortization for the period (under)	-197	-197
- increase (amortization accrued)	49	49
- decrease under liquidation	-246	-246
As at 31 December 2020 - accumulated amortization	**2 518**	**2 518**
Net intangible assets as at 31 December 2020	**40**	**40**

Note 3 – Right-of-use Assets

	Buildings and constructions	Machinery and equipment	Vehicles	Total
Gross value				
As at opening balance sheet	**13 632**	**337**	**3 604**	**17 573**
Increase in gross value - new contracts concluded	-	41	219	260
Increase in gross value – updating of contract value	1 068	-	65	1 133
Decrease in gross value - ending of a contract	-	-	-62	-62
Total, gross value closing balance sheet	14 700	378	3 826	18 904
Depreciation				
As at opening balance sheet	4 253	188	1 222	5 663
Depreciation accrued	2 198	98	958	3 250
Decrease - ending of a contract	-	-	-36	-36
Total accumulated depreciation as at closing balance sheet	**6 451**	**282**	**2 144**	**8 877**
Net book value as at opening balance sheet - 0 1.01.2021	**9 379**	**149**	**2 382**	**11 910**
Net book value as at closing balance sheet – 31.12.2021				

Gross book value	14 700	378	3 826	18 904
Accumulated depreciation	6 451	282	2 144	8 877
Write-downs	-	-	-	-
Total net value as at 31 December 2021	**8 249**	**96**	**1 682**	**10 027**

Note 4 – Shares in Subsidiaries

Shares in subsidiaries	31 December 2021	31 December 2020
a) in subsidiaries	5 593	8 478
Shares, net value	5 593	8 478
Write-downs of financial non-current assets	380	1 523
Shares, gross value	**5 973**	**10 001**

Change in shares in subsidiaries and other	As at 31 December 2021	As at 31 December 2020
a) as at the beginning of the period	8 478	8 478
- shares at cost	8 478	-
b) increase	2 186	-
- acquisition of shares in subsidiary	1 022	-
- resolving of write-down of shares in liquidated subsidiary	1 164	-
b) decrease	5 071	-
- liquidation of subsidiary	5 050	-
- write-down of shares	21	-
As at the end of the period	**5 593**	**8 478**

Change in write-downs of shares in subsidiaries	31 December 2021	31 December 2020
As at the beginning of the period	1 523	1 523
Write-down of shares	21	-
Resolving of write-down of shares in liquidated subsidiary	-1 164	-
As at the end of the period	**380**	**1 523**

As at 31 December 2021 the company made an analysis, as a result of which the company made a write-off of the value of shares in the company Prochem RPI spółka z o. o. in the amount of PLN 21 thousand.

Note 5 – Shares in Jointly-controlled Entities and in Associated Entities

Shares in jointly-controlled entities and in associated entities	31 December 2021	31 December 2020
- Shares – net value	4 502	4 502
- write-downs of shares	708	708
Shares, gross value	**5 210**	**5 210**

Change in shares in jointly-controlled entities and in associated entities	31 December 2021	31 December 2020

a) as at the beginning of the period	4 502	4 502
- shares at cost	4 502	4 502
b) at the end of the period net	4 502	4 502
c) write-down	708	708
d) at the end of the period gross	5 210	5 210

As at 31 December 2021 the fair value of the joint venture was PLN 191 109 thousand, of which PLN 95 554.5 thousand is attributable to the Issuer - as at 31 December 2020 was PLN 184 702 thousand, of which PLN 92 351 thousand was attributable to the Issuer.

Shares in subsidiaries as at 31 December 2021

Item No.	a	b	c	d	e	f	g	h	i	j	k
	Name of the company and its legal form	registered office	Scope of the company's activity	Type of relationship (subsidiary, jointly-controlled, associated with detailing direct and indirect relations)	Consolidated method applied / valuation using the equity method, or indication that entity is not subject to consolidation / valuation under equity method	Date of gaining control / joint control / date of obtaining significant influence	Value of shares / at cost	Total revaluation adjustments	Carrying value of shares	Percentage of share capital held directly and indirectly	Share in total number of votes at the General Meeting (directly and indirectly)
1	PROCHEM INWESTYCJE Sp. z o. o.	Warsaw	Consultancy on business activity and management	subsidiary	full	22.06.1992	2 999	-	2 999	100.0%	100.0%
2	PKI.PREDOM Sp. z o.o.	Wrocław	Construction designing, urban planning, process engineering	Subsidiary indirectly (Prochem Inwestycje sp. z o.o. holds 75% of capital)	full	19.07.2002	177	-	177	81.7%	72.3%
3	PROCHEM ZACHÓD Sp. z o.o.	Warsaw	Marketing activity, providing construction works and design services, commercial activity and forwarding	subsidiary	full	18.03.1998	1 061	-	1 061	80.0%	80.0%
4	ELEKTROMONTAŻ KRAKÓW S.A. *	Kraków	Assembly of electrical installations and equipment	Subsidiary indirectly (Prochem Inwestycje holds 65.5% of shares)	full	10.12.2001	221	-	221	91.7%	91.7%
5	PROCHEM RPI Sp. z o.o.	Warsaw	Developer's activity	subsidiary (Prochem Inwestycje holds 3.33%)	full	08.04.1998	493	380	113	100.0%	100.0%

** Participation in the total number of votes at the general meeting and the percentage share in the capital in the subsidiary Elektromontaż Kraków S.A. were established as at 31.12.2021*

Shares in subsidiaries - continuation

Item No..	a	b							c			d			e	f
	Name of the company	equity, including:							Entity's liabilities and provisions to liabilities , including:			Entity's receivables, including:			Total entity's assets	Sales revenue
			Share capital	Own shares (negative value)	Revaluation reserve)	Retained earnings										
							profit (loss) put forward	Net profit (loss)		Non-current liabilities	Current liabilities		Non-current receivables	Current receivables		
1	PROCHEM INWESTYCJE Sp. z o. o.	7 922	3 000	-	-	4 846	-	529	20 119	19 001	1 118	184	-	184	27 965	3 866
2	PKI.PREDOM Sp. z o.o.	8 500	600	-	5 076	2 824	-	13	3 919	2 248	1 671	927	165	762	12 419	3 775
3	PROCHEM ZACHÓD Sp. z o.o.	1 978	1 600	-	-	378	-	23	-	-	-	3	-	3	1 980	-
4	ELEKTROMONTAŻ KRAKÓW S.A.**	16 878	1 208	-480	3 188	12 962	-	1 269	25 756	3 851	21 905	21 289	5	21 284	52 714	57 140
5	PROCHEM RPI Sp. z o.o.	113	600	-	-	-487	-481	-6	2	-	2	2	-	2	115	-

** **S**hare in the total number of votes at the general meeting , and percentage share in the capital in the subsidiary Elektromontaż Kraków S.A. was established as at 31.12.20201 after the settlement of shares purchased for redemption by the company Elektromontaż Kraków SA.*
*** Data from the consolidated financial statements of the Capital Group of Elektromontaż Kraków S.A. as at 31.12.2021 .*

Shares in jointly-controlled entities and associated entities as at 31 December 2021

Item No.	a	b	c	d	e	f	g	h	i	j	k
	Name of the company and its legal form	registered office	Scope of the company's activity	Type of relationship (subsidiary, jointly-controlled, associated, with detailing direct and indirect relations)	consolidated method/ valuation using the equity method, or indication that entity is not subject to consolidation / valuation under equity method	date of gaining control / date of obtaining significant influence	Value of shares / at cost	Total revaluation adjustments	carrying value of shares	Percentage of share capital (directly or indirectly)	Share in total number of votes at the general meeting (directly or indirectly)
1	ITEL Sp. z o.o.	Gdynia	Other electrical installations	associated	The equity method	13.09.2005	708	708	0	42.0%	42.0%
2	IRYDION Sp. z o. o.	Warsaw	Rental of real estate on its own account	jointly-controlled	The equity method (change in the structure of shareholding from a subsidiary to jointly-controlled entity as from 3.04.2013)	24.03.2000	4 502	-	4 502	50.0%	50.0%

Shares in jointly-controlled entities and in associated companies - continuation

Item No.	a	b		c			d			e	f
	Name of the company	Company's equity, including:	Net profit (loss)	Entity's liabilities and provisions to liabilities, including:	Non-current liabilities	Current liabilities	Entity's receivables, including:	Non-current receivables	Current receivables	Total entity's assets	Sales revenue
1	ITEL Sp. z o.o.	No data	No data	No data	No data	No data	No data	No data	No data	No data	No data
2	IRYDION Sp. z o.o.	78 279	10 464	119 070	114 636	4 434	1 132		1 132	197 349	19 609

Note 6 – Settlement of Deferred Income Tax

- deferred tax assets

Change in deferred tax assets	31 December 2021	31 December 2020
1. Deferred tax assets as at the beginning of the period, recognized in financial result	**3 865**	**5 744**
a) recognized in financial result	**3 759**	**5 652**
- provision for operating expenses	212	191
- write-down of receivables	-	26
- unpaid remuneration under contracts of mandate and specific task contracts	33	38
- provision for retirement benefit	93	88
- provision for holiday benefit	277	246
- unpaid employee benefits	-	1
- tax loss	-	1 108
- write-down of inventories	-	106
- discounted cash flow expenses	78	88
- surplus of costs incurred above margin expected	3 066	3 744
- other	-	16
b) recognized in equity	**106**	**92**
- provision for retirement benefits	106	92
2. Increase	**2 915**	**3 415**
a) recognized in financial result	**2 895**	**3 401**
- provision for operating expenses	941	212
- unpaid remuneration under contracts of mandate and specific task contracts	29	33
- provision for retirement benefits	16	13
- provision for holiday benefits	21	41
- unpaid employee benefits	5	-
- discount cash flows expenses	-	34
- surplus of costs incurred above margin expected	1 883	3 068
b) recognized in equity	**20**	**14**
- provision for retirement benefit	20	14
3. Decrease	**3 429**	**5 294**
a) recognized in financial result	**3 429**	**5 294**
- use of provision for operating expenses	212	191
- write-down of receivables	-	26
- paid remuneration under contract of mandate and specific task contract	33	38
- provision for retirement benefit	29	8
- provision for holiday benefits	11	10
- unpaid employee benefits	-	1
- use of tax loss asset	-	1 108
- write-down of inventories	-	106
- discounted cash flows expenses	78	44
- surplus of costs incurred above margin expected	3 066	3 746
- other	-	16

b) recognized in equity in connection with negative temporary differences (due to)	**-**	**-**
- provision for retirement benefit	-	-
4. Total deferred tax assets at the end of the period, including:	**3 351**	**3 865**
a) recognized in financial result	**3 225**	**3 759**
- provision for costs	941	212
- write-down of receivables	-	-
- unpaid remuneration under contract of mandate and specific task contract	29	33
- provision for retirement benefit	80	93
- provision for holiday benefit	287	277
- unpaid employee benefits	5	-
- discounted cash flows expenses	-	78
- surplus of costs incurred above margin expected	1 883	3 066
b) recognized in equity in connection with negative temporary differences (due to)	**126**	**106**
- provision for retirement benefit	126	106

- provision for deferred income tax

Change in provision for deferred income tax	31 December 2021	31 December 2020
1. Provision for deferred income tax as at the beginning of the period, including:	**2 542**	**4 979**
a) recognized in financial result	**2 542**	**4 979**
- interest accrued on loan	241	584
- revaluation of non-current financial assets	136	136
- revenues under discounted liabilities	136	248
- margin on revalued revenues	2 029	4 011
b) recognized in equity	**-**	**-**
- revaluation of non-current investments at fair value	-	-
2. Increase	**2 017**	**2 184**
a) recognized in financial result of the period under positive temporary differences (due to)	**2 017**	**2 184**
- interest accrued on loan	119	23
- revenues under discounted liabilities	245	132
- measurement of income, change as of the balance sheet date	1 653	2 029
3. Decrease	**2 407**	**4 621**
a)recognized in financial result of the period under positive temporary differences (due to)	**2 407**	**4 621**
- paid interest on loan	241	408
- revenues under discounted liabilities	137	202
- measurement of income, change as of the balance sheet date	2 029	4 011
b) recognized in equity	**-**	**-**
- revaluation of non-current investments at fair value	-	-
4. Total provision for deferred income tax as at the end of the period	**2 152**	**2 542**
a) recognized in financial result	**2 152**	**2 542**

- interest accrued on loan	119	241
- revalution of non-current financial assets	136	136
- revenues under discounted liabilities	244	136
- measurement of income, change as of the balance sheet date	1 653	2 029
b) recognized in equity	**-**	**-**
- revaluation of non-current investment at fair value	-	-

As at 31 December 2021 the total amount of temporary differences associated with investments in subsidiaries, for which provisons for tax were created was PLN 119 thousand and related to:

- interest on non-current loans granted to jointly-controlled companies and associated companies – PLN 119 thousand.

As at 31 December 2020 the total amount of temporary differences associated with investments in jointly-controlled entities for which provisions for tax were created was PLN 241 thousand and related to:

- interest on non-current loans granted to subsidiaries – PLN 226 thousand.
- interest on non-current loans granted to jointly-controlled companies and associated companies – PLN 15 thousand.

Presentation in the statement of financial position

	31 December 2021	31 December 2020
Deferred tax assets	3 351	3 865
Provision for deferred income tax	-2 152	-2 542
Deferred tax assets	**1 199**	**1 323**

Note 7 – Other Financial Assets

Other Financial Assets	31 December 2021	31 December 2020
a) from subsidiaries indirectly and directly :	5 628	17 651
- non-current loans granted	5 628	17 651
b) from associated entities and jointly-controlled entities:	17 000	17 083
- non-current loans granted	17 000	17 083
c) other financial assets - security deposits securing the bank guarantee	-	-
Total other non-current financial assets	**22 628**	**34 734**

Loans granted – as at 31 December 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 according to WIBOR 3M rate on the first business day of each calendar quarter, an increased margin of 2.3%, the repayment date of the loan with interest 22 September 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% annually, the repayment date of the loan with interest 22 September 2031;
- Loan granted to subsidiary Prochem Inwestycje Sp. z o.o.:

- in the amount of PLN 5 628 thousand, including: amount of the loan PLN 5 000 thousand, interest in the amount of PLN 628 thousand, The interest rate is set annually according to WIBOR 3M rate on the first business day of each calendar quarter, an increased margin of 2.3%. The repayment date of the loan with interest 31 December 2023.

Increase:

- Accrued interest on loans granted to jointly-controlled company Irydion Sp. z o.o. in the amount of PLN 457 thousand,
- Accrued interest on loans granted to subsidiary Prochem Inwestycje Sp. z o.o.– PLN 885 thousand,

Decrease:

- repayment of loans by subsidiary Prochem Inwestycje Sp. z o.o. in the amount of PLN 11 500 thousand.
- Repayment of interest on loans by subsidiary Prochem Inwestycje Sp. z o. o. in the amount of PLN 1 408 thousand.
- Repayment of interest on loans by jointly-controlled company Irydion Sp. z o. o. in the amount of 540 thousand.

Loans granted - as at 31 December 2020

- Loans granted to jointly-controlled company Irydion Sp. z o. o. seated in Warsaw:
  - in the amount of PLN 11 083 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 83 thousand. The interest rate is set annually according to WIBOR 6M, rate, the repayment date of the loan with interest was set on 22 September 2031;
  - in the amount PLN 6 000 thousand, including: amount of the loan PLN 6 000 thousand. The interest rate is set annually at 3% per year, the repayment date of the loan with interest 22 September 2031;
- Loans granted to subsidiary Prochem Inwestycje Sp. z o. o.:
  - in the amount of PLN 2 501 thousand, including: amount of the loan PLN 2 500 thousand, accrued interest PLN 1 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest 31 December 2023;
  - in the amount of PLN 15 150 thousand, including: amount of the loan PLN 14 000 thousand, accrued interest PLN 1 150 thousand. The interest rate is set annually according to WIBOR 6M rate effective at the end of every calendar year, the repayment date of the loan with interest 31 December 2023.

Note 8– Inventories

Inventories	**31 December 2021**	**31December 2020**
Materials	299	3 594
Goods	-	-
Total inventories	**299**	**3 594**
Write-down of inventories	557	557

Note 9 – Trade and Other Receivables

Trade and other receivables	31 December 2021	31December 2020
Trade receivable	66 778	63 040
Write-down of trade receivables	-2 812	-2 889
Trade receivables net, including	**63 966**	**60 151**
- with repayment period up to 12 months	63 966	60 102
- with repayment period more than 12 months	-	49
Receivables from taxes, subsidies, custom duties, social and health insurance and other benefit	**-**	**1 067**
Other receivables	24	14
Write-down of other receivables	-	-
Net other receivables	**24**	**14**
Total receivables	**63 990**	**61 232**

Trade and other receivables from related entities	31 December 2021	31 December 2020
Trade receivables, including:	12	105
- from subsidiaries	6	29
- from jointly-controlled entities and associated entities	6	76
Total trade and other receivables from related entities, net	**12**	**105**
Write-down of receivables from related entities	-	-
Total trade and other receivables from related entities, gross	**12**	**105**

Change in write-down of trade and other receivables	31 December 2021	31 December 2020
As at the beginning of the period	2 899	3 230
a) increase (due to)	-	118
- provision for trade receivables	-	118
b) decrease (due to)	77	459
- payments received	65	220
- the use of provisions made in the previous periods	12	239
Write-downs of current trade and other receivables at the end of the period	**2 812**	**2 889**

Trade receivables with the period of repayment remaining since the balance sheet date :	31 December 2021	31 December 2020
a) up to 1 month	33 886	21 781
b) more than 1 month up to 3 months	23 897	20 563
c) more than 3 months up to 6 months	799	56
d) more than 6 months up to 1 year	4 581	15 284
e) more than 1 year	-	49
f) receivables overdue	3 615	5 307
Total trade receivables (gross)	**66 778**	**63 040**
g) write-downs of trade receivables	-2 812	-2 889
Total trade receivables (net)	**63 966**	**60 151**

In the majority of contracts signed by the Company, time of payment for receivables for services was determined in the range from 14 to 60 days.

Age analysis of overdue trade receivables (gross value)	31 December 2021	31 December 2020 r
a) up to 1 month	541	84
b) more than 1 month up to 3 months	79	1 369
c) more than 3 months up to 6 months	43	54
d) more than 6 months up to 1 year	140	779
e) more than 1 year	2 812	3 021
Total overdue trade receivables (gross)	3 615	5 307
f) write-down of trade receivables, overdue	-2 812	-2 889
Total overdue trade receivables (net)	**803**	**2 418**

As at 31 December 2021 and as at 31 December 2020 trade receivables include current security deposits under statutory warranty for construction and assembly works respectively in the amount of PLN 5 561 thousand and PLN 15 395 thousand.

Note 10 – Other Financial Assets

Other financial assets by type :	31 December 2021	31 December 2020
a) other financial assets - security deposits constituting security for guarantees provided by the bank	8 658	9 669
Total other financial assets	**8 658**	**9 669**
Write-downs of other financial assets -	18	
Other financial assets, gross	**8 658**	**9 687**

Note 11 – Other Assets

Other assets by types :	31 December 2021	31 December 2020
a) prepayments	809	687
- cost of property and personal insurance	192	180
- software maintenance cost	610	500
- subscriptions	4	2
- deferred costs	3	5
Total other assets	**809**	**687**

Note 12 – 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	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	-	681 750	681 750	Cash	29-07-1993	01-01-1993
C	bearer	-	435 000	435 000	Cash	20-04-1994	01-01-1994
Total number of shares			**2 935 000**				
Total share capital				**2 935 000**			
Nominal value of one share = PLN 1.00							

Acting pursuant to resolutions No. 20 and 21 of the Ordinary General Meeting of June 24, 2021, the Management Board of Prochem S.A. on August 5, 2021, announced an invitation to submit sales offers for shares in Prochem S.A. The subject of this announcement was the purchase by the Company of no more than 580,000 shares of Prochem S.A. with a nominal value of PLN 1 each, issued by the company, dematerialized and registered by the National Depository for Securities S.A. in Warsaw ("KDPW") at the price of PLN 26 per share. The purchase of the Company's shares was settled on August 25, 2021. The Company purchased 580,000 own shares for redemption.

After the settlement of the purchase of shares, 2,355,000 shares are in trade, the total number of votes from these shares is 2 356 160.

Change of rights from the issuer's securities

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

Name of the shareholder	Number of shares held (in pcs.)	Number of votes held	% of votes in total number of votes	% of share capital
1. Steven Tappan	975 250	975 250	33,21	33,21
2. Otwarty Fundusz Emerytalny PZU „Złota Jesień”.	284 900	284 900	9,70	9,71

Change of rights from shares in Prochem in 2021.

On August 27, 2021, the Management Board of PROCHEM S.A., with its seat in Warsaw (hereinafter referred to as the "Issuer", "Company") received information from Mr. Andrzej Karczykowski about the reduction of his share in the share capital of Prochem, as well as in the total number of votes in Prochem respectively to the level of 3.81% and of 3.80% as a result of the sale of shares for the purpose of redemption in the number of 171,699 shares. As a result, Mr. Andrzej Karczykowski decreased his share in the capital by 5.85% and 5.85% in the total number of votes. Before the transaction, the share in the capital and the right of votes was 9.66%.

On August 31, 2021, the Management Board of PRCHEM S.A. with its registered office in Warsaw (hereinafter referred to as the "Issuer", "Company") received information from company APUS S.A. based in Warsaw and a related entity - Jean-Jacques Alphandery based in Switzerland - about decrease of his share in the share capital of Prochem and in the total number of votes in Prochem to the level of 4.97% and of 4.97% respectively, as a result of the sale of shares in for redemption in the number of 224,381 shares. As a result, APUS S.A. decreased its share in the capital by 7.65% and by 7.65% in the total number of votes. Before the transaction, the share in the capital and voting rights was 10.62%.

Note 13 - Revaluation Reserve

	31 December 2021	31 December 2020
As at opening balance sheet	-449	-390
Actuarial losses on valuation of provisions for employee benefits	-89	-59
As at closing balance sheet	**-538**	**-449**

Note 14 - Retained Earnings

	31 December 2021	31December 2020
Spare capital	9 353	19 495
Other capital reserve	30 151	24 433
Profit for the period	2 713	10 076
Total	**42 217**	**54 004**

Note 15 – Provision for Retirement and Similar Benefits

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

In accordance with the Remuneration Regulations, employees of the Company are entitled to one-time retirement and disability benefits in the event of termination of employment due to retirement or disability pension. These severance payments are post-employment benefits paid when the employee no longer performs work, therefore the related expenses are spread over the entire period of employment of the employee by making current write-offs towards provisions for benefits. The current amounts of provisions and write-offs are determined by an external actuarial office individually for each employee in accordance with the methodology of "projected unit entitlements". Accrued provisions constitute the present, expected value of the Company's future long-term liabilities due to severance payments, less the current expected values of future write-offs that will be made until the employee acquires the entitlement to benefits.

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

According to the Labor Code, in the event of the death of an employee, his heirs are entitled to posthumous benefits depending on the number of heirs and the length of service of the employee at the time of death. The company does not create provisions for death benefits, costs are recognized when the benefit becomes due.

The current burdens of the Company for the aforementioned long-term benefits include the following items:
- cost of current employment (current write-off) recognized in profit and loss as operating cost (salaries),
- interest expense reflecting the change in the value of provisions with the passage of time, recognized in profit and loss as finance cost,
- actuarial gains / losses arising from the materialization in the reporting period of phenomena reflected by actuarial assumptions adopted at the beginning of the period and as a result of revaluation of

assumptions made at the end of the period, are recognized entirely in other comprehensive income as they all relate to post-employment benefits,
- past service cost occasionally appearing as a positive or negative offsetting for write-downs made in previous periods and the current period, resulting from a change in benefit conditions or the introduction / restriction of a benefit plan, recognized in profit or loss for the period as operating (salary) cost,
- matured in the posthumous severance payments period as other costs by type.

The principal actuarial assumptions adopted at the end of the reporting period:

Post-employment benefits for which provisions are made include retirement and disability benefits paid upon termination of employment due to the employee's retirement or disability pension. The amount of the severance pay depends on the length of service and is a multiple of the average salary in the Entity for the previous quarter, but not more than three times the employee's monthly salary and not less than one monthly salary in accordance with the Labor Code.

Provisions for severance payments as at December 31, 2021 were determined using an individual method, using the PUCM methodology required by IAS 19 and using actuarial techniques. The actuarial assumptions have been updated based on the most recent historical data of the Company, current market data and taking into account changes in the current policy of the Company. The calculations were made on the basis of individual data about employees as of December 31, 2021

Below are the average values of the basic ratios determined on the basis of detailed actuarial assumptions that were used to calculate the provisions as at December 31, 2021:

- weighted average turnover ratio: overall 7.79%, including 6.01% for traineeship> 3 years
- weighted average probability of death: 0.003532 (based on the tables of the Central Statistical Office GUS PTTŻ 2020 which were reduced to 40%)
- weighted average probability of total disability: 0.002250 (ratio based on ZUS/Social Insurance Office case law for the years 2015 – 2020 which were increased up to 200%)
- annual increase in the basis for benefits: 5.0% in 2022, 8% in and 2023 and 2024, 5.0% > 2024
- interest rate used for discounting: 3.55% based on an extrapolated profitability curve determined based on the profitability of 2-year, 5-year and 10-year Polish treasury bonds as of December 31, 2021 (discounting factor: 0.96572)

For comparison, the average values of selected ratios determined on the basis of actuarial assumptions that were adopted for the calculation of provisions as at December 31, 2020:

- weighted average ratio of rotation: 8.43%, including 5.29% for traineeship > 3 years
- weighted average probability of death: 0.003320
- weighted average probability of total disability: 0.001809
- average annual growth of benefit bases: 2.0% in the period 2021 - 2029, 2.5% > 2029
- interest rate used for discounting: 1.92% (discounting factor: 0.98116)

Change in provisions for retirement and disability pension gratuity

Description	In 2021	In 2020
Opening balance sheet for provisions for benefit	**843**	**790**
Benefits paid during the period (-)	-155	-90
Interest cost	15	19
Current employment cost /current write-down/	54	51
Actuarial losses(gains)	111	73
Cost of past employment	13	0

Effect of the sale / merger of the Companies	0	0
Closing balance for provisions for benefits	**881**	**843**
Including current provision	*54*	*130*
Including non-current provisions	*827*	*713*

Breakdown of actuarial gains/losses

Description	In 2021	In 2020
Actuarial gains (losses) 'ex post'	11	-47
Actuarial gains (losses)from the update of demographic assumptions	23	22
Actuarial gains (losses) from update of financial assumptions	-145	-48
Total actuarial gains (losses)	**-111**	**-73**

Burdens under retirement and disability pensions gratuity recognized in profit and loss:

Description	In 2021	In 2020
Current employment cost /current write-down/	-54	-51
Interest cost	-15	-19
Actuarial gains (losses) under other non-current benefits	0	0
Cost of past employment	-13	0
Total gain (loss)	**-82**	**-70**

Recognized in other comprehensive income:

Description	In 2021	In 2020
Actuarial gains (losses) under post-employment benefits	-111	-73

Maturity profile of retirement and disability pension gratuity

Period	Flows	Breakdown of provisions
2022	54	53
2023	65	58
2024	74	62
2025	47	36
2026	59	41
≥ 2027	3 026	631
Total	**3 325**	**881**
PV / duration	1 769	16.39 years

Analysis of the sensitivity of provisions to changes in basic actuarial assumptions

Sensitivity analysis for the interest rate		Sensitivity analysis for employee rotation rates		Sensitivity analysis for increases in the basis for benefits	
Change in p.p.	Provisions after change	Change in %	Provisions after change	Change in %	Provisions after change
-1.0%	985	-20%	942	-1.0%	789
-0.5%	931	-10%	910	-0.5%	833
0.0%	**881**	**0%**	**881**	**0.0%**	**881**

0.5%	835	10%	853	0.5%	932
1.0%	793	20%	827	1.0%	987

Note 16 – Non-current Loans

Non-current loans	**31 December 2020**	**31December 2020**
a) to subsidiaries indirectly and directly	950	950
Total non-current loans	**950**	**950**

Loans received – as at 31 December 2021

- Loan received from subsidiary Prochem Zachód Sp. z o. o. In the amount of PLN 950 thousand, including: amount of the loan PLN 950 thousand. The interest rate is set annually according to rate of 3% annually. The repayment date was set on 31 December 2023, but not earlier than repayment of a loan in ING Bank.

Increase:

- Accrued interest on loan received from subsidiary Zachód Sp. z o.o. in the amount of PLN 29 thousand.

Decrease:

- Repayment of interest on loan received from subsidiary Prochem Zachód Sp. z o.o. in the amount of PLN 29 thousand.

Loans received – as at 31 December 2020

- Loan received from subsidiary Prochem Zachód Sp. z o.o. in the amount of PLN 950 thousand, including: amount of the loan PLN 950 thousand. The interest rate is set annually according to rate of 3% annually. Repayment date was set on 31 December 2023.

Note 17- Trade Payables

	31 December 2021	**31 December 2020**
a) to subsidiaries	164	1 921
- for supplies and services, with maturity:	164	1 921
- up to 12 months	164	1 921
b) to associated entities and jointly -controlled entities	8	1
- for supplies and services, with maturity:	8	1
- up to 12 months	8	1
c) to other entities	57 462	53 559
- for supplies and services, with maturity:	57 462	53 559
- up to 12 months	57 462	53 559
Total trade payables	**57 634**	**55 481**
Non-current liabilities – under seized security deposits with maturity more than 12 months	**9 266**	**15 359**
Total trade payables	**66 900**	**70 840**

Note 18 – Settlements under Long-term Agreements

	31 December 2021	**31 December 2020**
- amounts due from recipients under agreements	8 636	7 019
Amounts due from recipients under long-term agreements	**8 636**	**7 019**

	31 December 2021	**31 December 2020**

Amounts due from recipients under contracts, including:	5 803	20 486
b) current	5 803	20 486
Amounts due from recipients under long-term agreements	**5 803**	**20 486**

Description	31 December 2021	31 December 2020
The value of revenues according to agreements	887 341	759 264
The value of revenues invoiced	705 634	566 524
Planned liabilities under the implementation of agreements	827 750	694 135
Realized contractual obligations	670 529	539 179
Amounts due from recipients	8 636	7 019
Amounts owed to recipients	5 803	20 486

Note 19 – Liabilities under Lease

	31 December 2021	31 December 2020
- liabilities under financial lease	-	-
- liabilities under right-of-use	10 279	12 167
Total liabilities under lease	**10 279**	**12 167**
Including current liabilities	**3 342**	**2 946**

Note 20 –Other Liabilities

	31 December 2021	31December 2020
a) to other entities	3 913	779
- under taxes, duties, insurance and other benefits	3 884	729
- other (by type)	29	50
Liabilities to employees	24	1
Liabilities to shareholders	5	5
other (liabilities under forward)	-	44
b) other current provisions	6 227	4 406
- provision for loss on contracts	3 716	1 660
- provision for future costs	938	1 136
- cost of audit	24	26
- non-current provision for retirement benefit	53	129
- provision for unused annual leaves	1 496	1 455
Total other liabilities	**10 140**	**5 185**

Note 21 - Revenues from Sale of Services

Revenues from sale of services (type of service and type of activity)	In 2021	In 2020
- revenues from sale of services, including:	**188 202**	**317 905**
- from related entities	3 401	2 538

Revenues from sale (territorial structure)	In 2021	In 2020
Domestic market	188 193	317 173
- including from related entities	3 401	2 538
Exports	9	732

Revenues under contracts for construction services (general contracting) and other services are presented in Note 30 – Operating Segments.
The gross amount due from ordering parties/buyers for the work under contracts was presented in Note 9.
Information on major customers, whose total value of revenues from sales of services exceeds 10% of total revenues, which were disclosed in the entity's statement of profit and loss for 2021, is included in Note 30 – Operating Segments.

Note 22 - Revenues from Sale of Goods and Materials

Revenues from sale of materials (type of material and type of activity)	In 2021	In 2020
- revenues from sale of goods	1 649	2 870

Revenues from sale of goods and materials (territorial structure)	In 2021	In 2020
Domestic market	1 649	2 870

Note 23 – Cost of Services

Costs by type	In 2021	In 2020
a) amortization and depreciation	3 815	3 500
b) consumption of material and energy	938	798
c) outsourcing	147 778	270 611
d) taxes and levies	42	55
e) remuneration	23 859	23 144
f) social security and other benefits	4 489	4 131
g) other costs by type (under)	2 006	1 890
- property and personal insurance	866	698
- business trips	108	167
- PFRON (State Fund for Rehabilitation of Disabled Persons)	326	299
- cars rental	293	283
- other	413	443
Total costs by type	**182 927**	**304 129**
Change in inventories, goods and prepayments	3 664	178
General and administrative expenses (negative value)	-9 346	-8 814
Cost of services sold	**177 245**	**295 493**

Note 24 – Other Operating Income

	In 2021	In 2020
a) gain on sale of non-financial non-current assets	4	-
b) reversal of impairment allowances (due to)	77	220
- for receivables	77	220
c) other, including:	1 519	742

- reimbursement of litigation costs	11	8
- received compensation, fines and penalties	1 439	723
- other	69	11
Total operating income	**1 600**	**962**

Note 25 – Other Operating Expenses

	In 2021	**In 2020**
a) impairment allowance (under)	-	118
- for receivables	-	118
b) other, including:	374	821
- litigation costs	81	118
- paid damages, penalties and fines	292	443
- writing off bad debts	-	259
- other	1	1
Total operating expenses	**374**	**939**

Note 26 – Financial Income

	In 2021	**In 2020**
a) interest on granted loans	1 342	336
- from subsidiaries	885	43
- from jointly-controlled entities	457	293
b) other interest	1	78
- from other entities	1	78
c) surplus of positive exchange rate differences	51	86
d) other, including:	1 289	319
- revenues from discounted non-current liabilities	1 289	215
- revenues from sale of financial assets	-	66
- other	-	38
Total financial income	**2 683**	**819**

Note 27 – Finance Costs

	In 2021	**In 2020**
a) interest on bank loans	55	13
b) interest on loans received:	29	29
- for subsidiaries	29	29
b) other interest	402	618
- for other entities	402	618
d) other, due to :	1 423	1 141
- commission on bank guarantees	719	555
- commission on loans	-	138
- costs under discount of financial assets	89	385
- costs of sale of financial assets	-	60
- costs under discounted non-current liabilities	589	-

- other costs	26	3
Total finance costs	**1 909**	**1 801**

Note 28 – Income Tax

Establishment of the effective tax rate	In 2021	In 2020
(in PLN thousands)		
Profit for the period	2 713	10 076
Income tax	1 098	2 808
Before tax profit	3 811	12 884
Income tax at the applicable rate 19 %	724	2 448
Revenues, not classified as tax revenue	-253	-42
Costs not constituting tax deductible expenses	429	269
Other	128	133
Income tax	**1 098**	**2 808**

Note 29– Additional Disclosures to the Statement of Cash Flows

Differences between the amounts established directly from the financial statements and presented in the statement of cash flows result 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):	**In 2021**	**In 2020**
Change in current receivables	**-3 675**	**7 940**
Trade and other receivables as at 1 January	61 232	61 035
Receivables under seized security deposits as at 1 January	883	11
Other assets as at 1 January	687	718
Amounts due under agreements as at 1 January	7 019	15 997
Operating balance sheet after adjustments	**69 821**	**77 761**
Trade and other receivables as at 31December	63 990	61 232
Receivables under seized security deposits as at 31 December	61	883
Other assets as at 31December	809	687
Amounts due under agreements as at 31 December	8 636	7 019
Closing balance sheet after adjustments	**73 496**	**69 821**
Change in current liabilities (except for borrowings, loans and special funds)	**-12 035**	**-19 516**
Trade payables as at 1 January	55 481	61 168
Other liabilities as at 1 January	5 185	5 782
Amounts owed under agreements	20 486	42 597
Liabilities under seized security deposits	15 359	6 284
Provision to retirement benefit obligations	-129	-99
Provision to unused annual leaves	-1 456	-1 295
Provision to audit of statements	-25	-28
Provision to other costs	-1 549	-1 549
Investment commitments	-55	-28
Liabilities under discount of non-current liabilities	-	-20

Liabilities to shareholders	-5	-5
Opening balance sheet after adjustments	**93 292**	**112 808**
Trade payables as at 31 December	57 634	55 481
Other liabilities as at 31 December	10 140	5 185
Amounts due under agreements as at 31 December	5 803	20 486
Liabilities under seized security deposits as at 31 December	9 266	15 359
Provision to retirement benefit obligations	-53	-129
Provision to unused annual leaves	-1 496	-1 456
Provision to audit of statements	-24	-25
Provision to other costs	-	-1 549
Investment liabilities	-8	-55
Liabilities to shareholders	-5	-5
Closing balance sheet after adjustments	**81 257**	**93 292**
Change in other adjustments as at 31 December	**933**	**392**
Change in security deposits constituting collateral for bank guarantee	1 011	-
Other	-78	392

Note 30– Operating Segments

Revenues from operations achieved outside of Poland (Exports) in the period from 1 January 2021 to 31 December 2021 amounted to PLN 9 thousand (i.e. 0.005 % of sales revenue), in the analogous period of the previous year revenues amounted to PLN 732 thousand (i.e. 0.23% of sales revenue).

Information on major customers, which share in the sales revenue for 2021 exceeded 10% of the total sales revenue:

- A Client involved in the production of fertilizers - sales revenue PLN 129 612 thousand, representing 68.3 % of sales revenue, which was shown in the segment „General contracting".

Detailed data on the activities of Prochem S.A. in the individual segments are shown in the tables below. Analysis of the revenues and results of the Company in individual segments which are covered by reporting is presented below.

For the period from 01.01.2021 to 31.12.2021	General contracting	Design services, other engineering services	Rental of construction equipment	Commercial activity	Other	Items not assigned	Total
.-revenues for external clients	158 352	27 847	587	1 649	1 416	-	189 851
Total revenues of the segment	**158 352**	**27 847**	**587**	**1 649**	**1 416**	**-**	**189 851**
result **Profit (loss) segment**	**4 550**	**-1 638**	**-487**	**79**	**-813**	**-**	**1 691**
Financial income						2 803	2 803
Finance costs						-1 909	-1 909
Net financial income						**894**	**894**
Profit (loss) on other operating activities						1 226	1 226
Before tax profit						**3 811**	**3 811**
Income tax						1 098	1 098
Profit for the current period						**2 713**	**2 713**
Assets of the segment (related to activities)	64 145	8 018	405	-	43	-	72 612

Assets not assigned/unallocated (among others shares, stocks and other financial assets)						66 321	66 321
Total assets	**64 145**	**8 018**	**405**	**-**	**43**	**66 321**	**138 933**
Liabilities of the segment (related to activity)	41 488	963	13	-	1	52 434	94 899
Equity						44 034	44 034
Total liabilities and equity	**41 488**	**963**	**13**	**-**	**1**	**96 468**	**138 933**
Depreciation of property, plant and equipment	316	1 492	67		70	1 829	3 774
Amortization of intangible assets						41	41
Write-downs of segment assets (receivables from supplies and services)	-	-	2 794	-	18	-	2 812

For the period from 01.01.2020 to 31.12.2020	General contracting	Design services and other engineering services	Rental of construction equipment	Commercial activity	Other	Items not assigned	Total
.-revenues for external clients	287 758	27 957	742	2 870	1 448	-	320 775
Total revenues of the segment	**287 758**	**27 957**	**742**	**2 870**	**1 448**	**-**	**320 775**
Result							
Profit (loss) of the segment	**19 146**	**-4 284**	**-516**	**245**	**-748**	**-**	**13 843**
Financial income						819	819
Finance costs						-1 801	-1 801
Net financial income						**-982**	**-982**
Profit (loss) on other operating activity						23	23
Before tax profit						**12 884**	**12 884**
Income tax						2 808	2 808
Profit for the current period						**10 076**	**10 076**
Segment assets (related to activity)	70 377	5 115	291	-	204		75 987
Assets not assigned/unallocated (among others shares, stocks and other financial assets)						90 844	90 844
Total assets	**70 377**	**5 115**	**291**	**-**	**204**	**90 844**	**166 831**
Liabilities of the segment (related to activity)	96 143	274	142	-	641	13 141	110 341
Equity						56 490	56 490
Total liabilities and equity	**96 143**	**274**	**142**	**-**	**641**	**69 631**	**166 831**
Depreciation of property, plant and equipment	388	1 408	88		91	1 476	3 451
Amortization of intangible assets						49	49
Write-down of segment assets (receivables from supplies and services)	-65	-12	-2 794		-18		-2 889

Information about the geographical areas

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

	01.01-31.12.2021	01.01-31.12.2020
Poland	189 851	320 043
Denmark	-	27
Japan	-	11
Switzerland	-	38
Italy	9	656
Total sales revenue	**189 851**	**320 775**

Geographical breakdown of property, plant and equipment and intangible assets

	31.12.2021	31.12.2020
Poland	1 139	1 190
Total property, plant and equipment and intangible assets	**1 139**	**1 190**

Note 31 – Profit per One Share

Net profit per share remaining in trade as at balance sheet date 31 December 2021 is PLN 1.,15; in 2020 profit amounted to PLN 3.43.

Note 32 – Profit Sharing and Loss Coverage

Company's net profit for 2020 in the amount of PLN 10 076 753.04 according to Resolution No. 15 of the Ordinary General Meeting of 24 June 2021 was entirely allocated to reserve capital.

Proposed distribution of net profit for 2021

The Management Board of Prochem S.A. proposed that the net profit for 2021 in the amount of PLN 2 712 706.66 will be allocated to reserve capital.

Note 33 - Dividends

The Issuer did not pay dividend for 2020

Note 34 - Financial Instruments and Financial Risk Management

34.1 Categories and classes of financial instruments

Financial assets

31 December 2021		**Categories of financial instruments**	
		Loans, receivables and other	**Total**
Classes of financial instruments	**note**		
Receivables from supplies and services	9	63 966	63 966
Amounts due from recipients under agreements	20	8 636	8 636
Cash		11 254	11 254
Security deposits constituting collateral	10	8 658	8 658
Loans granted	7	22 628	22 628
Total		**115 142**	**115 142**

31 December 2020		**Categories of financial instruments**	
		Loans, receivables and other	**Total**
Classes of financial instruments	**note**		
Receivables from supplies and services	9	61 034	61 034
Amounts due from recipients under agreements	20	7 019	7 019
Cash		20 854	20 854

Security deposits constituting collateral	7	9 669	9 669
Loans granted	7 i 10	37 734	37 734
Total		**136 310**	**136 310**

Financial liabilities

31 December 2021

		Financial liabilities measured at amortized cost	**Total**
Classes of financial instruments	note		
Loans received	16	950	950
Amounts owed to recipients under agreements	18	5 803	5 803
Liabilities under supplies and services	17	57 634	57 634
Total		**64 387**	**64 387**

31 December 2020

		Financial liabilities measured at amortized cost	**Total**
Classes of financial instruments	nota		
Loans received	16	950	950
Amounts owed to recipients under agreements	18	20 486	20 486
Liabilities under supplies and services	17	55 481	55 481
Total		**76 917**	**76 917**

Impairment losses on financial assets broken down into classes of financial instruments
(in PLN thousands)

Classes of financial instruments	**31 December 2021**	**31 December 2020**
Receivables from supplies and services	(2 812)	(2 889)
Other financial assets	(121)	(121)
Total	**(2 933)**	**(3 010)**

Impairment allowances of financial assets are presented in Notes 9 and 10.

34.2. Financial Risk Management

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

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

Credit risk

The company 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 company manages the risk through the obligatory procedure of obtaining collateral.
The assumed period of receivables repayment related to the normal course of sales is 14-60 days.

Amounts due from contracting parties are regularly monitored by the financial services. In case of overdue amounts the procedures of vindication are started.
The age analysis of trade receivables, which are overdue on the end of the reporting period, but in case of which no impairment occurred, is presented in Note No. 9.
In order to reduce the risk of not recovering the receivables from deliveries and services, the Company 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 Company 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 Company.
All entities in which the Company deposits its free monetary resources operate in the financial sector. These include domestic banks and branches of the foreign banks.

Credit risk resulting from loans granted within the Group is considered as low by the Company, due to the fact that the loans are destined for a specific purpose such as the purchase of investment property. In some cases when for a long time the subsidiary is not fulfilling its liabilities under loans incurred, the Issuer creates write-down of the loans and interest accrued. Changes in write-downs of loans granted were presented in Notes 7 and 10.
In the estimation of the Management Board the risk of impaired financial assets is reflected in the impairment allowances. Information on impairment allowances of financial assets is presented in Note 36.1.

Liquidity risk

The Company is exposed to the liquidity risk resulting from the relation of current liabilities to current assets.
As at 31 December 2021 and 31 December 2020 the index of ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.22 and 1.23.
Analysis of maturity of current liabilities is in Notes 16, 17 and 19.

Market risk

1. 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 strenghtening of the domestic currency it may adversely affect the performance of the Company. Partially, this risk is mitigated in the natural way through the purchase of equipment and services for the accomplishment of these contracts abroad, as well as through the purchase of relevant financial instruments.

Exposure to currency risk as at 31 December 2021

(in PLN thousands)	EUR	USD	NOK	Other in PLN	Total after translation into PLN
Financial assets					
Receivables from supplies and services	691	-	-	-	3 178
Cash	991	46	88	9	4 794
Total	**1 682**	**46**	**88**	**9**	**7 972**
Financial liabilities					

Liabilities under supplies and services	2 050	3	-	-	9 441
Total	**2 050**	**3**	**-**	**-**	**9 441**

Exposure to currency risk as at 31 December 2020

(in PLN thousand)	EUR	USD	NOK	Other in PLN	Total after translation into PLN
Financial assets					
Receivables from supplies and services	367	5	-	-	1 712
Cash	1 605	156	88	7	8 039
Total	**1 972**	**161**	**88**	**7**	**9 751**
Financial liabilities					
Liabilities under supplies and services	753	7	-	-	3 501
Total	**753**	**7**	**-**	**-**	**3 501**

Analysis of sensitivity to currency risk as at 31 December 2021

(in PLN thousands)	Increase in exchange rate	Total impact on before tax profit	Drop in the exchange rate	Total impact on before tax profit
EUR/PLN	15%	-254	15%	254
USD/PLN	15%	26	15%	-26
NOK/PLN	15%	6	15%	-6
Total impact		**-222**		**222**

Analysis of sensitivity to currency risk as at 31December 2020

(in PLN thousands)	Increase in exchange rate	Total impact on before tax profit	Drop in the exchange rate	Total impact on before tax profit
EUR/PLN	15%	844	15%	-844
USD/PLN	15%	87	15%	-87
NOK/PLN	15%	6	15%	-6
Total impact		**937**		**-937**

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

Analysis of the impact of potential change in value of financial instruments as at December 31, 2020 on the gross financial result in connection with hypothetical change in foreign currency exchange rates in relation to the Polish Zloty/functional currency.

Revenues in foreign currency achieved in the currency in the years 20120 and 2019 were as follows:

currency	revenues		Average exchange rate for sales		expenses		Average exchange rate for purchases	
(in PLN thousands)	2021	2020	2021	2020	2021	2020	2021	2020
EUR	2 830	6 567	4.5823	4.4337	4 513	4 359	4.5551	4.4409
USD	-	2 601	-	3.9108	-	1.378	-	3.9095

In the reporting period EURO was the main currency.
Hipothetically assuming that if the Polish Zloty weakened/strengthened by 1% against EUR, then revenues in 2021 would increase or decrease by PLN 130 thousand and in 2020 by PLN 743

thousand, which would have an impact on before tax profit, while costs would increase in 2021 by PLN 206 thousand, and in 2020 by PLN 247 thousand.
The above deviations were calculated on the basis of historical fluctuation for particular currencies and forecasts.
Sensitivity of financial instruments for currency risk was calculated as the difference between the initial book value of financial instruments and its potential book value at assumed increase/drop in exchange rates.
For other currencies sensitivity of financial instruments is not material.

1. *Interest rate risk*

The Company is exposed to the risk of variability 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 e WIBOR 1M and WIBOR 6M.

Analysis of financial instruments with floating interest rates

	WIBOR		Fixed rate of interest	
	31.12.2021	**31.12.2020**	**31.12.2021**	**31.12.2020**
Financial asset				
Loans granted	16 628	28 734	6 000	6 000
Financial liabilities				
Loan	-	-	-	-
Borrowings received	-	-	950	950

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

	Assumed fluctuations of WIBOR				impact (in PLN thousands)			
	31.12.2021		**31.12.2020**		**31.12.2021**		**31.12.2020**	
	increase	**drop**	**increase**	**drop**	**increase**	**drop**	**increase**	**drop**
Financial assets								
Loans granted	+50 base point.	-50 base point.	+50base point.	-50 base point.	83	(83)	144	(144)
Financial liabilities								
Loan	+50 base point.	-50 base point.	+50 base point.	-50 base point.	-	-	-	-
Borrowings received	+50 base point.	-50 base point.	+50 base point.	-50 base point.	-	-	-	-

Note 35 - 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 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 2021 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 2021 in the Issuer's enterprise to the Members of the Management Board:

1. Marek Kiersznicki PLN 697.7 thousand

2. Krzysztof Marczak PLN 622.3 thousand
3. Michał Dąbrowski PLN 186.0 thousand
4. Jarosław Stępniewski PLN 591.9 thousand

Remuneration paid in 2021 in the Issuer's enterprise to the Members of the Supervisory Board:
1. Marek Garliński PLN 96 thousand
2. Karol Żbikowski PLN 60 thousand
3. Andrzej Karczykowski PLN 60 thousand
4. Krzysztof Obłój PLN 28.8 thousand
5. Wiesław Kiepiel PLN 60 thousand
6. Jarosław Stępniewski PLN 95.5 thousand

Remuneration paid to the Members of the Supervisory Board in 2021 for performing the functions in the Management Boards and in the Supervisory Boards of the companies from the Capital Group:
1. Jarosław Stępniewski PLN 46 thousand
2. Krzysztof Marczak PLN 78 thousand

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

Settlements with related entities include receivables, trade payables and financial liabilities. Guarantees and sureties granted to related entities are presented in Note 35

Reporting period
(in PLN thousands)

from 1 January to 31 December 2021

	Sale of services	Purchase of services	Financial income - interest on loans	Financial income - dividends received	Finance costs - interest on loans
Subsidiaries	16	9 520)*	885	-	29
Jointly-controlled entities and associated entities	3 385)**	3 408	457	-	-

)* - including purchased electrical services and supplies of electrical equipment from subsidiary Elektromontaż Kraków S.A. in the amount of PLN 9 120 thousand.
)** - sale of services and purchase of services in total relate to revenues from the jointly-controlled company Irydion Sp. z o.o. in Warsaw, for the benefit of which is implemented investment project under the name of „Astrum Biznes Park" in Warsaw.

As at 31 December 2021

	Trade receivables	Receivables under loans granted	Other receivables	Trade payables	Liabilities under loans granted
subsidiaries	6	5 628	-	410	950
Jointly-controlled entities and associated entities	6	17 000	-	8	-

Comparative period

(in PLN thousands)

from 1 January to 31 December 2020	Sale of services	Purchase of services	Financial income – interest on loans	Financial income – dividends received	Finance costs – interest on loans
subsidiaries	13	12 620*	43	-	29
Jointly-controlled entities and associated entities	2 525**	3 259	293	-	

* - including purchased electrical services and delivery of electrical equipment from subsidiary Elektromontaż Kraków S.A. in the amount of PLN 12 410 thousand.

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

As at 31 December 2020	Trade receivables	Receivables under loans granted	Trade payables	Other liabilities	Liabilities under loans granted
subsidiaries	29	17 651	3 034	-	950
Jointly-controlled entities and associated entities	76	17 083	1	-	-

Note 36 – Collateral Granted and Received and Contingent Liabilities and Contingent Assets

Collateral granted	As at 31December 2021	As at 31 December 2020
Bank guarantee of good performance and statutory warranty	26 940	49 619
Tender guarantee	25	-
Guarantee of payment	1 058	995
Guarantee of return of advance payment	3 363	583
Total collateral granted	**31 386**	**51 197**
Surety agreement for the return of an advance payment from the company from the Capital Group from Prochem S.A.,	**-**	**7 374**
Total collateral granted and contingent liabilities	**31 386**	**58 571**

Collateral received	As at 31December 2021	As at 31 December 2020
Bank guarantee of good performance	20 519	16 008
Bill of Exchange guarantee securing the terms of the contract	450	450
Total collateral received	**20 969**	**16 458**

Note 37 – Events after the Balance Sheet Date

After the end of the reporting period, there were no events that would require disclosure in hereby financial statements. Jointly-controlled entity Irydion Spółka z o.o., in which the company Prochem S.A. holds 50% of shares in the share capital and voting rights, on February 28, 2022, signed a

preliminary agreement for the sale of real estate Astrum Business Park in Warsaw. The value of the transaction will amount to approximately EUR 43,000 thousand.
For the description of the impact of the war in Ukraine on the Company, see Note 40.

Note 38 - Other Explanatory Notes to Separate Financial Statements

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

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

- Marek Kierсznicki – 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 at the price of PLN 26 per share.

- Marek Kierсznicki decrease is PLN 1.

The change in the number of shares held by managing and supervising persons results from the sale of shares in order to redeem the number of shares held by 15,147 pcs.;
- Krzysztof Marczak –decrease in the number of shares held by 12,118 pcs.;
- Marek Garliński – decrease in the number of shares held by 34 067 pcs.;
- Andrzej Karczykowski – decrease in the number of shares held by 171 699 pcs.;
- Jarosław Stępniewski – decrease in the number of shares held by 18 177 pcs.

Information on granting a surety for a loan or borrowing or guarantees 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.

Factors which in the opinion of the issuer will have an impact on its financial performance in the prospect of at least the subsequent quarter

The issuer participates in 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. Completion of the commercialization of the Astrum Business Park project in Warsaw will have a significant impact on the financial situation of the Company.

Note39 -The impact of the coronavirus pandemic on the operations of Prochem S.A.

Prochem S.A. has taken a number of steps in connection with the COVID-19 pandemic. When the first cases of COVID-19 appeared in the country, the Company developed action plans to ensure the continuity of operation and the provision of key services provided by Prochem S.A. They are constantly adapted to the changing environmental conditions
In relation to the contracts being implemented, the Company has implemented additional measures to reduce the risk of potential breaches of the terms of the contracts signed by contractors as a result of a change in the economic situation. In particular, in the area of construction and assembly contracts and deliveries, additional procedures were implemented in the field of ongoing monitoring of compliance with the terms and dates of contract performance and the contractor's financial situation. The risk of

losing financial liquidity by key suppliers is analysed on an ongoing basis and, if necessary, appropriate actions are taken, including shortening payment terms in individual cases.

In 2021, the impact on the COVID-19 epidemic was felt, consisting in rising prices for construction materials and shortages of goods on the market, resulting in a decrease in margins, primarily in the segment of construction and assembly services. The above-mentioned factors will 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. The execution of orders was carried out without downtime, in a manner not deviating from the norm.

As at the date of hereby financial statements, the financial position of the Company is stable. As a result of the analysis, the Management Board of Prochem S.A. sees no need to:
- revaluation of the Company's assets due to the negative effects of COVID-19,
- write-downs of receivables due to the insolvency of contractors,
- changing or correcting the supplier chain,
- correction of credit obligations,
- adjustments to lease liabilities - all lease contracts are carried out in accordance with a schedule,
- introducing changes to the work and remuneration system of the Company's employees, all payroll obligations are met on an ongoing basis.

The Management Board of the company Prochem S.A. monitors the current situation with particular care.

Actions were also taken to stabilize the financial and operational stability of the Company 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 Board of the Company is prepared to take further steps to adapt its potential to the new conditions in order to mitigate any negative effects.

Moreover the company has taken a number of preventive measures to reduce the possibility of the virus spreading on the premises and protect employees, including:
- procedures were introduced in the field of personnel and material movement, in particular consisting in minimizing direct contacts,
- procedures were introduced to ensure the availability of the key personnel of the Company
- it was recommended to limit business trips and participation in business meetings, and instead to use media such as instant messaging and videoconferencing;
- employees were equipped with protective equipment (protective masks, gloves) and disinfectants, and hygienic and sanitary and disinfecting procedures were introduced.

Note 40 - The impact of the war conflict in Ukraine on the company's operations

The company's 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 had 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. Therefore, there may be some problems with the implementation of implementation contracts However, due to the fact that the vast majority of orders held by the Issuer concern design services, no significant impact of this situation on the Company's operations is expected.
The Management Board of Prochem S.A. monitors the current situation with particular attention and, if necessary, is prepared to take appropriate actions to adapt its potential to the new conditions in order to mitigate any negative effects on the entity.

Note 41 – Approval of the Financial Statements

Financial Statements of Prochem S.A. for the period from 1 January 2021 to 31 December 2021 were approved for issue by the Management Board of Prochem S.A. on 28 April 2022.

Signatures of the Members of the Management Board

date	first name and surname	position	signature
28 April 2022	Marek Kiersznicki	President of the Management Board	....
28 April 2022	Krzysztof Marczak	Vice President of the Management Board	….......................
28 April 2022	Michał Dąbrowski	Member of the Management Board	….......................

Signature of the person responsible for bookkeeping

date	**first name and surname**	**position**	**signature**
28 April 2022	Barbara Auguścińska-Sawicka	Chief Accountant	....