SEPARATE FINANCIAL STATEMENTS OF PROCHEM S.A.

As at and for the period ended 31 December 2022

PROCHEM S.A.
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Table of content to the separate financial statements of the Company Prochem S.A.

Separate statement of financial position as at 31 December 2022

(all amounts in PLN thousands if not stated otherwise)

	Note No.	As at 31 December 2022	As at 31 December 2021
A s s e t s			
Non-current assets			
Property, plant and equipment	1	1 412	1 089
Intangible assets	2	38	50
Right-of-use assets	3	15 979	10 027
Shares	4	21 141	5 593
Shares in equity-accounted investees	5	-	4 502
Deferred tax assets	6	1 945	1 199
Receivables under retained security deposits		1 877	61
Other financial assets	7	8 910	22 628
Total non-current assets		**51 302**	**45 149**
Current assets			
Inventories	8	194	299
Trade and other receivables	9	28 527	63 990
Receivables due to current income tax		44	138
Amounts due from recipients under contracts	18	37 634	8 636
Other financial assets	10	7 962	8 658
Other assets	11	1 023	809
Cash and cash equivalents		8 571	11 254
Total current assets		**83 955**	**93 784**
Total assets		**135 257**	**138 933**
E q u i t y a n d l i a b i l i t i e s			
Equity			
Share capital	12	2 355	2 935
Own shares		-350	-580
Revaluation reserve	13	-486	-538
Retained earnings	14	56 223	42 217
Total equity		**57 742**	**44 034**
Non-current liabilities			
Provisions for retirement and similar benefits	15	792	827
Non-current loans	16	950	950
Non-current liabilities under retained security deposits		8 800	9 266
Lease liabilities	19	14 313	6 937
Total non-current liabilities		**24 855**	**17 980**
Current liabilities			
Trade payables	17	42 981	57 634
Amounts owed to recipients under contracts	18	-	5 803
Liabilities under current income tax		-	-
Lease liabilities	19	2 258	3 342
Other liabilities	20	7 421	10 140
Total current liabilities		**52 660**	**76 919**
Total liabilities		**77 515**	**94 899**
Total equity and liabilities		**135 257**	**138 933**

Separate statement of profit and loss
from 1 January 2022 to 31 December 2022
(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 31 December 2022	Period ended 31 December 2021
Revenues from sale, including :		151 927	189 851
Revenues from sale of services	21	149 279	188 202
Revenues from sale of goods and materials	22	2 648	1 649
Cost of sales, including :		-147 324	-178 814
Cost of services sold	23	-144 751	-177 245
Cost of merchandise and raw materials		-2 573	-1 569
Gross profit on sales		**4 603**	**11 037**
General and administrative expense	23	-10 961	-9 346
Other operating income	24	864	1 600
Other operating expenses	25	-434	-374
Results from operating activities		**-5 928**	**2 917**
Financial income	26	33 925	2 683
Profit from liquidation of subsidiary		-	120
Finance expenses	27	-2 466	-1 909
Before tax profit		**25 531**	**3 811**
Income tax expense :	28	-725	1 098
- current tax		35	952
- deferred tax		-760	146
Profit for the period		**26 256**	**2 713**
Weighted average number of ordinary shares (in pcs.)		2 005 000	2 355 000
Profit (loss) per one share (in PLN per share) assigned to owners of the Parent Entity		13.10	1.15

Separate statement of comprehensive income

	In 2022	In 2021
Profit for the period	**26 256**	**2 713**
Other comprehensive income net	**52**	**-89**
Other comprehensive income, that will be reclassified to profit and loss under certain condition:		**0**
Other comprehensive income, that will not be reclassified to profit and loss (before tax):	**52**	**-110**
Actuarial profit (loss) on valuation of provisions for employee benefits	64	-110
Income tax on other comprehensive income	-12	-21
Total comprehensive income	**26 308**	**2 624**
Weighted average number of ordinary shares (in pcs.)	2 005 000	2 355 000
Total comprehensive income per ordinary share (in PLN per one share)	13.12	1.11

Separate statement of changes in equity

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Own shares	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2022 to 31 December 2022					
As at the beginning of the period	**2 935**	**-580**	**-538**	**42 217**	**44 034**
Net profit of the given period	-	-	-	26 256	**26 256**
Other comprehensive income (net)	-	-	*52*	-	52
Total comprehensive income	**-**	**-**	**52**	**26 256**	**26 307**
Buy-back of own shares	-580	580	-	-	-
Other changes	-	-350	-	-12 250	-12 600
As at the end of the period	**2 355**	**-350**	**-486**	**56 223**	**57 742**

	Share capital	Own shares	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2021to 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
Total comprehensive income	**-**	**-**	**-89**	**2 713**	**2 624**
Buy-back of own shares	-	-580	-	-14 500	-15 080
As at the end of the period	**2 935**	**-580**	**-538**	**42 217**	**44 034**

Separate statement of cash flows
from 1 January 2022 to 31 December 2022

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 December 2022	Period ended 31 December 2021
Cash flows – operating activities		
Before tax profit	25 531	3 811
Total adjustments	-46 229	-10 098
Amortization and depreciation	3 840	3 815
Interest and profit sharing (dividends)	-31 207	-856
(Profit) loss on disposal of property, plant and equipment	-541	-4
(Profit) loss on disposal of shares	-	-98
Change in provisions	-1 557	-1 472
Change in inventories	105	3 295
Change in receivables and other assets	4 435	-3 675
Change in current liabilities except for borrowings and loans	-22 195	-12 035
Other adjustments (including deferred income)	891	933
Cash provided by (used in) operating activities	**-20 698**	**-6 287**
Income tax paid	-59	334
Net cash provided by (used in) operating activities	**-20 639**	**-6 621**
Cash flows – investing activities		
Inflows	**50 689**	**17 454**
Acquisition of intangible assets and property, plant and equipment	613	-
Inflows from financial assets	50 076	17 454
- in related entities	50 076	17 454
division of capital in a liquidated subsidiary	-	4 006
dividends received	31 562	-
Repayment of a loan	17 500	11 500
Repayment of interest on loans granted	1 014	1 948
Outflows	**-16 016**	**-1 587**
Acquisition of intangible assets and property, plant and equipment	-970	-565
Outlays on financial assets	-11 046	-1 022
- in related entities	-11 046	-1 022
acquisition of shares in subsidiary	-	-1 022
acquisition of shares in associated company	-11 046	-
loans granted	-4 000	-
Net cash provided by (used in) investing activity	**34 673**	**15 867**
Cash flows – financing activities		
Inflows	**-**	**-**
Other financial proceeds	-	-
Outflows	**-16 717**	**-18 846**
Acquisition of own shares	-12 600	-15 080
Payment of liabilities under operating lease IFRS 16	-4 046	-3 682
Interest and commission paid	-	-55
Interest on loans paid	-71	-29
Net cash provided by (used in) financing activity	**-16 717**	**-18 846**
Total cash flows, net	-2 683	-9 600
Increase/(decrease)in cash and cash equivalents net	-2 683	-9 600
Cash and cash equivalents at the beginning of the period	**11 254**	**20 854**
Cash and cash equivalents at the end of the period	**8 571**	**11 254**
Including restricted cash	**4**	**1 363**

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

1.2. The Management Board and Supervisory authorities of the Issuer

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

Marek Kierssnicki - 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, 2022 to December 31st 2022 there was a change in the composition of the Management Board of the Company Prochem S.A.

Composition of the Supervisory Board of Prochem S.A.

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

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

In the period from January 1st, 2022 to December 31, 2022 there was no change in the composition of the Company's Supervisory Board.

1.2. Employment

Average employment in 2022 was 203 FTEs, and in 2021 was also 203 FTEs. Level of employment in persons as at 31 December 2022 was 209, and as at 31 December 2021 was 202.

2.2.Adopted accounting principles

2.1. Principles of presentation

Financial statements of Prochem S.A. for the period from 1 January to 31 December 2022 and analogous period of the comparable year was prepared according to International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) endorsed by European Union (EU) and were in force as at 31 December 2022. The scope of the financial statements is consistent with the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws, item 757).
The presented financial statements of Prochem S.A. presents reliably and clearly the Company's financial and property position as at December 31, 2022 and comparative data as at December 31, 2021, as well as the results of this activity for the year ended December 31, 2022 and comparative data for the year ended December 31, 2021.

Financial statements of Prochem S.A. as at 31 December 2022 has been prepared with the assumption that business will continue as a going concern in the foreseeable future. The circumstances described in Notes 39 and 40 were analysed, in the opinion of the Management Board, they do not affect the entity's ability to continue as a going concern.

The Company's operating activity is neither seasonal nor subject to cyclical trends, except for the segment of general contracting and rental of construction equipment, which are characterized by seasonality, which is to large extent caused by weather conditions. Weather conditions affect the amount of revenue generated in these segments. Lower revenues are achieved in the winter, when weather conditions do not allow for the performance of certain construction works.

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 separate financial statements of Prochem for the year ended December 31, 2021.

In the applied accounting principles, apart from accounting estimates, the professional judgment of the management, which affects the amounts disclosed in the separate financial statements, was of the greatest importance. The assumptions of the estimates are based on the best knowledge of the Issuer's Management Board regarding current and future activities and events in individual areas of activity. They concern the valuation of pension benefits, the assessment of the degree of implementation and profitability of long-term contracts (gross margin).

Changes in the principles adopted in the accounting policy are made in the case of:
1. amendments to IFRS,
2. when a change in the accounting policy will make the information contained in the financial statements on the impact of transactions, other events and conditions on the financial position, financial result or cash flows more useful and reliable for the recipients of the statements.

In the case of changes in accounting policies, it is assumed that the new accounting policies have always been applied, except for those that do not provide for a retrospective change. The related adjustments are shown as equity adjustments. In order to ensure comparability, the financial statements for the previously presented period are restated in such a way that these statements also include the changes made, except for situations where determining the impact of the change on individual periods or its total impact is practically impracticable.

2.3. Significant accounting policies and amendments to IFRS

When preparing hereby separate financial statements, the same accounting principles and the same calculation methods were applied as in the financial statements for the year ended December 31, 2021.

New standards, interpretations and amendments to published IFRS and its impact

The International Accounting Standards Board (IASB) approved amendments to the standards for application after 1 January 2022:

- Amendments to IFRS 3 „Business Combinations”- update of references to the Conceptual Framework.
- Amendments to IFRS 16 ”Property, plant and equipment”- revenues from products manufactured in the period of preparation of property, plant and equipment for the commencement of operation revenues generated before asset is put into use.
- Amendments to IFRS 37 "Provisions, contingent liabilities and contingent assets"- 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 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments" and IFRS 41 "Agriculture" and the illustrative examples to IFRS 16 „Lease”.

The above amendments to the standards were approved for use by the European Union by the date of publication of hereby financial statements and did not affect the Company's accounting policy 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 1 January 2023.:

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

Approved by the IASB for use from 1 January 2024:

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

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

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

Standards announced but pending approval by the European Union, the Company intends to apply in accordance with their effective date.

2.4. 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 5-12years
- Vehicles 5years
- 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 of the lease, the valuation of the right-of-use asset is made through:
- an increase in the carrying amount to reflect the interest on the lease liability,
- reduction of the carrying amount to reflect the lease payments paid, and
- updating the balance sheet valuation to reflect any reassessment or lease change or to reflect 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 10 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.

Loans granted

arise when an entity issues cash directly to a debtor without intending to trade its receivables. They are classified as current assets, provided that their maturity does not exceed 12 months from the balance sheet date. Loans with a maturity period exceeding 12 months from the balance sheet date are classified as non-current assets. Loans are initially recognized at fair value. Subsequently, loans are measured at amortized cost using the effective interest rate method, less impairment losses, if any.

Receivables

are initially recognized at fair value, with the fair value of trade receivables as at the moment of initial recognition being the nominal value resulting from the issued sales invoices, and then they are measured at amortized cost using the effective interest rate, taking into account impairment losses. A write-down for impairment of receivables is created when there is objective evidence that the entity will not receive all amounts due under the original terms of receivables and it is recognized under other operating expenses. The amount of the write-down is determined according to IFRS 9 Financial Instruments.

Cash and cash equivalents

include cash in hand and in bank accounts, bank deposits with an original maturity of up to three months and financial assets at fair value through profit or loss that meet the definition of a cash equivalent. Cash is valued at nominal value.

Non-current assets held for sale

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

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

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

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

Measurement of assets and financial liabilities

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

Measurement of financial instruments –IFRS 9

IFRS 9 provides for three categories of debt instruments classification:
- at amortized cost,
- at fair value through other comprehensive income,
- at fair value though 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. Entity’s business model means the way in which an entity manages its financial assets to generate cash flows and create value. If financial instrument is held to generate cash flows, it is classified as measured at amortized cost, provided that it includes only principal and interest payments.

Impairment of financial assets

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,
- contractual terms relating to the financial asset give rinse on specified dates to cash flows which are solely payments of principal and interest on the principal outstanding.

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

In the scope of hedge accounting, the Company has decided to continue the existing measurement and classification methods.
According to IFRS 9, which introduces an approach to estimating the impairment of financial assets based on the impairment model. This model is based on the calculation of expected losses. To estimate expected credit losses in relation to trade receivables, the Company applied the simplified method permitted by IFRS 9. For the purpose of estimating the expected credit loss, the Company uses the reserve ratio, which takes into account historical data.
Taking into account the above methodology of calculating expected credit losses, the value of receivables may also be updated individually if, according to the Management Board's individual assessment, the risk that they will not be collected is significant, in particular with regard to:
- receivables from contractors in liquidation or bankruptcy,
- receivables questioned by the debtors and the payment of which the debtor is in arrears, and according to the assessment of the debtor's property and financial situation, the repayment of the contractual receivable is fraught with significant risk.

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

Measurement of financial assets at fair value

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

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

Investments in equity instruments (shares), that do not have quoted market price on active market and which fair value cannot be measured credibly, are valued at cost by the Company, i.e. at purchase price less possible impairment losses.
Financial assets designated as hedged items are valued in accordance with principles of hedge accounting.
Profit or loss arising from measurement of the financial asset classified as measured at fair value through profit or loss are recognized in profit or loss.

Profit or loss arising from measurement of the financial asset classified as available-for-sale is recognized in other comprehensive income, except for impairment losses and exchange differences which are recognized in financial result. For debt financial instruments, interest calculated using the effective interest rate method is recognized in financial result.

Measurement of financial assets at amortized cost

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

Measurement of financial assets at fair value

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

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

Investments in equity instruments (shares), that do not have quoted market price on active market and which fair value cannot be measured credibly, are valued at cost by the Company, i.e. at purchase price less possible impairment losses.
Financial assets designated as hedged items are valued in accordance with principles of hedge accounting.
Profit or loss arising from measurement of the financial asset classified as measured at fair value through profit or loss are recognized in profit or loss.

Profit or loss arising from measurement of the financial asset classified as available-for-sale is recognized in other comprehensive income, except for impairment losses and exchange differences which are recognized in financial result. For debt financial instruments, interest calculated using the effective interest rate method is recognized in financial result.

Measurement of financial liabilities at fair value

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

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

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. 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 2022 and for the period of twelve months of 2022

Note 1 – Property, Plant and Equipment

	31 December 2022	31 December 2021.
Property, plant and equipment, including:	1 412	1 089
- machinery and equipment	1 174	730
- other PPE	238	359
Total property, plant and equipment	**1 412**	**1 089**

Property, plant and equipment - ownership structure	**31 December 2022**	**31 December 2021**
a) own	1 412	1 089
Total balance sheet property, plant and equipment	**1 412**	**1 089**

Changes in property, plant and equipment – 2022

	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 2022	**-**	**-**	**4 083**	**68**	**2 511**	**-**	**6 662**
Increase (due to)	-	-	970	-	65	-	1 035
- acquisition	-	-	970	-	65	-	1 035

Decrease (due to)	-	-	-	-68	-753	-	-821
- disposal	-		-	-68	-719	-	-787
- liquidation	-	-	-	-	-34	-	-34
As at 31 December 2022	**-**	**-**	**5 053**	**-**	**1 823**	**-**	**6 876**
Depreciation and impairment							
As at 1 January 2022 - accumulated depreciation	**-**	**-**	**3 353**	**68**	**2 152**	**-**	**5 573**
Depreciation for the period (under)	-	-	526	-68	-567	-	-109
- increase – depreciation for the period	-	-	526	-	113	-	639
- decrease under disposal	-	-	-	-68	-647	-	-715
- decrease under liquidation	-	-	-	-	-33	-	-33
As at 31 December 2022 - accumulated depreciation	**-**	**-**	**3 879**	**-**	**1 585**	**-**	**5 464**
Impairment of PPE	-	-	-	-	-	-	-
Net value of PPE as at 31 December 2022	**-**	**-**	**1 174**	**-**	**238**	**-**	**1 412**

Change in property, plant and equipment – in 2021

	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 2021	**-**	**-**	**3 691**	**68**	**2 566**	**-**	**6 325**
Increase (under)	-	-	450	-	16	-	466
- acquisition	-	-	450	-	16	-	466
Decrease (due to)	-	-	-58	-	-71	-	-129
- disposal	-		-	-	-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 disposal	-	-	-	-	-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 property, plant and equipment as at 31 December 2021	**-**	**-**	**730**	**-**	**359**	**-**	**1 089**

Note 2 – Intangible Assets

	31 December 2022	31 December 2021
Acquired concessions, patents, licenses and similar assets including computer software	38	50
Total intangible assets	**38**	**50**
Ownership structure		
- own	38	50
Total intangible assets	**38**	**50**

Change in intangible assets – in 2022

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2022	**2 610**	**2 610**
Increase/decrease:	-434	-434
acquisition	11	11
liquidation	-445	-445
As at 31 December 2022	**2 176**	**2 176**
Amortization and impairment		
As at 1 January 2022 - accumulated amortization	**2 560**	**2 560**
Amortization for the period (under):	-422	-422
- increase (amortization accrued)	23	23
- decrease under liquidation	-445	-445
- other changes	-	-
As at 31 December 2022 - accumulated amortization	**2 138**	**2 138**
Net intangible assets as at 31 December 2022	**38**	**38**

Change in intangible assets – in 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**

Note 3 – Right-of-use assets

	Buildings and constructions	Machinery and equipment	Vehicles	Total
Gross value				
As at opening balance sheet	**14 700**	**378**	**3 826**	**18 904**
Increase in gross value - new contracts concluded	8 698	-	380	9 078
Increase in gross value – updating of values of contracts	-	-	175	175
Decrease in gross value - ending of the contract	-	-	-535	-535
Total gross value closing balance sheet	23 398	378	3 846	27 622
Depreciation				
As at opening balance sheet	6 451	282	2 144	8 877
Depreciation accrued	2 164	55	959	3 178
Decrease - ending of the contract	-	-	-412	-412
Total, accumulated depreciation as at closing balance sheet	**8 615**	**337**	**2 691**	**11 643**
Net book value as at opening balance sheet - 01.01.2022	**8 249**	**96**	**1 682**	**10 027**
Net book value as at closing balance sheet – 31.12.2022				
Gross book value	23 398	378	3 846	27 622
Accumulated depreciation	8 615	337	2 691	11 643
Write-downs	-	-	-	-
Total net value as at 31 December 2022	**14 783**	**41**	**1 155**	**15 979**

Note 4 – Shares in Subsidiaries

Shares in subsidiaries	**31 December 2022**	**31 December 2021**
a) in subsidiaries	21 141	5 593
Shares, net value	21 141	5 593
Write-downs of financial non-current assets	380	380
Shares, gross value	**21 521**	**5 973**

Change in shares in subsidiaries and in other entities	**As at 31 December 2022**	**As at 31 December 2021**
a) as at the beginning of the period	5 593	8 478
- shares at cost	5 593	8 478
b) increase	15 548	2 186
- acquisition of shares in related entity	11 046	1 022
- change of status from an associate to a subsidiary	4 502	-
- dissolution of the write-off of shares in a liquidated subsidiary	-	1 164
b) decrease	-	5 071
- liquidation of subsidiary	-	5 050
- write-down of the value of shares and stocks	-	21
As at the end of the period	**21 141**	**5 593**

Change in write-downs of shares in subsidiaries	31 December 2022	31 December 2021
As at the beginning of the period	380	1 523
Write-down of shares	-	21
dissolution of the write-off of shares in a liquidated subsidiary	-	-1 164
As at the end of the period	**380**	**380**

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

Shares in jointly-controlled entities and in associated entities	31 December 2022	31 December 2021
- shares – net value	-	4 502
- write-down of shares	708	708
Shares, gross value	**708**	**5 210**

Change in shares in jointly-controlled entities and associated entities	31 December 2022	31 December 2021
a) as at the beginning of the period	4 502	4 502
- shares at cost	4 502	4 502
b) decrease (under)	-4 502	-
change of status from an associate to a subsidiary	-4 502	-
c) at the end of the period net	**-**	**4 502**
d) write-down	708	708
e) at the end of the period gross	708	5 210

Shares in subsidiaries as at 31December 2022

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	Types of relations (subsidiary, associated entity, with specification of indirect or direct relations)	Consolidation method applied / valuation using the equity method, or indication that entity is not subject to consolidation / valuation using equity method	Date of gaining control / joint control / obtaining significant influence	Value of shares / at cost	Total revaluation adjustment	Carrying value of shares	Percentage of share capital held directly and indirectly	Share in total number of votes at the General Meeting (directly or indirectly)
1	PROCHEM INWESTYCJE Sp. z o. o.	Warsaw	Consultancy on business activity and management	subsidiary	full	22June1992	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 85.8% of capital)	full	19July2002	177	-	177	91.6%	91.6%
3	PROCHEM ZACHÓD Sp. z o.o.	Warsaw	Marketing activity, providing construction works and design services, commercial activity and forwarding	subsidiary	full	18March 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 57.49% of shares)	full	10December 2001	1 243	-	1 243	92.0%	92.0%
5	PROCHEM RPI Sp. z o.o.	Warsaw	Developer's activity	subsidiary (Prochem Inwestycje holds 3.33%)	full	08April1998	493	380	113	100.0%	100.0%

6	IRYDION Sp. z o.o.	Warsaw	Rental of real estate on its own account	subsidiary	full (change of the shareholding structure in the company from a jointly controlled company to a subsidiary as of December 20, 2022)	24March 2000	15 548		15 548	100.0%	100.0%

Shares in subsidiaries continuation

Item No..	a	b								c			d			e	f
	Name of the company	Entity's equity, including								liabilities and provisions for liabilities of the entity, including:			Entity's receivables, including:			Total entity's assets	Sales revenue
			Share capital	Own shares (negative value)	Revaluation reserve)	Retained earnings			Net profit write-off during the financial year								
							profit (loss) brought forward	Net profit (loss)			Non-current liabilities	Current liabilities		Non-current receivables	Current receivables		
1	PROCHEM INWESTYCJE Sp. z o. o.	7 906	3 000	-	-	4 846	-	60		18 532	17 423	1 109	133	-	133	26 438	4 064
2	PKI.PREDOM Sp. z o.o.	4 897	600	-	-	4 200	-	97		1 803	132	1 671	5 140	143	4 997	6 700	4 401
3	PROCHEM ZACHÓD Sp. z o.o.	2 039	1 600	-	-	378	-	61		6	-	6	1	-	1	2 045	-
4	ELEKTROMONTAŻ KRAKÓW S.A.	18 501	728	-	4 185	13 154	-	434		17 627	2 971	14 656	19 437	5	19 432	36 128	73 828
5	PROCHEM RPI Sp. z o.o.	3 713	600	-	-	-487	-	3 600		8 688	4 862	3 826	1 445	-	1 445	12 401	121
6	IRYDION Sp. z o.o.	25 171	9 000	-	-	21 205	-	10 009	-5 040	187	118	69	1 143	445	698	25 352	10 795

Shares in jointly-controlled entities and in associated entities as at 31December 2022

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	Types of relations (subsidiary, associated entity, with specification of indirect or direct relations)	Consolidation method applied / valuation using the equity method, or indication that entity is not subject to consolidation / valuation using equity method	Date of gaining control / joint control / obtaining significant influence	Value of shares / at cost	Adjustments updating value (total)	Carrying value of shares	Percentage of share capital held directly and 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	13September .2005	708	708	0	42.0%	42.0%

Shares in jointly-controlled entities and in associated entities continuation

Item No.	a	b		c			d			e	f
	Name of the company	Company's equity, including:		liabilities and provisions for liabilities of the entity, including:			Entity's receivables, including:			Total entity's assets	Sales revenue
			Net profit (loss)		Non-current liabilities	Current liabilities		Non-current receivables	Current receivables		
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

Note 6 – Settlement of Deferred Income Tax

- deferred tax assets

Change in deferred income tax	31 December 2022	31 December 2021
1. Deferred tax assets as at the beginning of the period, recognized in financial result (profit or loss)	**3 351**	**3 865**
a) recognized in financial result	**3 225**	**3 759**
- provisions to operating expenses	941	212
- unpaid remuneration under contracts of mandate and specific task contracts	29	33
- provision for retirement benefit	80	93
- provisions for holiday benefits	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	**126**	**106**
- provision for retirement benefits	126	106
2. Increase	**8 108**	**2 915**
a) recognized in financial result	**8 108**	**2 895**
- provision for operating expenses	880	941
- unpaid remuneration under contracts of mandate and specific task contracts	44	29
- provision for retirement benefit	18	16
- provisions for holiday benefits	6	21
- unpaid employee benefits	2	5
- tax loss	1 056	-
- discounted cash flows expenses	49	-
- surplus of costs incurred above margin expected	6 053	1 883
b) recognized in equity	**-**	**20**
- provision for retirement benefits	-	20
3. Decrease	**3 106**	**3 429**
a) recognized in financial result	**3 094**	**3 429**
- use of provision for operating expenses	1 121	212
- paid remuneration under contract of mandate and specific task contract	29	33
- provision for retirement benefit	10	29
- provision for holiday benefits	6	11
- unpaid employee benefits	5	-
- discounted cash flows expenses	40	78
- surplus of costs incurred above margin expected	1 883	3 066
b) recognized in equity in connection with negative temporary differences (due to)	**12**	**-**
- provision for retirement benefit	12	-
4. Total deferred tax assets at the end of the period, including:	**8 353**	**3 351**
a) recognized in financial result	**8 239**	**3 225**
- provision for costs	700	941
- write-down of receivables	44	-
- unpaid remuneration under contract of mandate and specific task contract	-	29

- provision for retirement benefit	88	80
- provision for holiday benefits	287	287
- unpaid employee benefits	2	5
- security deposit discount at the bank	9	-
- tax loss	1 056	-
- discounted cash flows expenses	-	-
- surplus of costs incurred above margin expected	6 053	1 883
b) recognized in equity in connection with negative temporary differences (due to)	**114**	**126**
- provision for retirement benefit	114	126

- provision for deferred income tax

Change in provision for deferred income tax	31 December 2022	31 December 2021
1. Provision for deferred income tax as at beginning of the period, including:	**2 152**	**2 542**
a) recognized in financial result	**2 152**	**2 542**
- interest accrued on loan	119	241
- revaluation of non-current financial assets	136	136
- revenues under discounted liabilities	244	136
- margin on revalued revenues	1 653	2 029
b) recognized in equity	**-**	**-**
2. Increase	**6 067**	**2 017**
a) recognized in financial result of the period under positive temporary differences (due to)	**6 067**	**2 017**
- interest accrued on loan	56	119
- revenues under discounted liabilities	64	245
- discounted cash flows expenses (security deposits)	40	-
- measurement of revenues, change as at the balance sheet date	5 907	1 653
3. Decrease	**1 811**	**2 407**
a) recognized in financial result of the period under positive temporary differences (due to)	**1 811**	**2 407**
- interest accrued on loan	97	241
- revenues under discounted liabilities	61	137
- measurement of revenue, change as of the balance sheet date	1 653	2 029
b) recognized in equity	**-**	**-**
4. Total provision for deferred income tax as at the end of the period	**6 408**	**2 152**
a) recognized in financial result	**6 408**	**2 152**
- interest accrued on loan	78	119
- revaluation of non-current financial assets	136	136
- revenues under discounted liabilities	247	244
- discounted cash flows expenses (security deposits)	40	-
- measurement of revenue, change as of the balance sheet date	5 907	1 653
b) recognized in equity	**-**	**-**

As at 31 December 2022, the total amount of temporary differences related to investments in subsidiaries for which provisions for tax were created is PLN 0. The loans with interest have been repaid.

As at 31 December 2021, the total amount of temporary differences related to investments in subsidiaries for which provisions for tax were created is PLN 119 thousand and applies to:

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

Presentation in the statement of financial position

	31 December 2022	31 December 2021
Deferred tax assets	8 353	3 351
Provision for deferred income tax	-6 408	-2 152
Deferred tax assets	**1 945**	**1 199**

Note 7 – Other Financial Assets

Other financial assets	31 December 2022	31 December 2021
a) from subsidiaries indirectly and directly :	8 910	5 628
- non-current loans granted	8 910	5 628
b) from associated entities and jointly-controlled entities:	-	17 000
- non-current loans granted	-	17 000
Total other non-current financial assets	**8 910**	**22 628**

Loans granted -as at 31 December 2022

- Loans granted to jointly-controlled company Irydion Sp. z o .o. with its seat in Warsaw have been repaid,
  the balance as at 31.12.2022 is PLN 0.

- Loan granted to subsidiary Prochem Inwestycje Sp. z o.o.:
  - in the amount of PLN 4 910 thousand, including: amount of the loan PLN 4 500 thousand, interest in the amount of PLN 410 thousand. The interest rate is set annually according to WIBOR 3M rate applicable on the first working day of each calendar quarter, increased by a margin of 2.3%. The repayment date of the loan with interest - 31 December 2025.

- Loan granted to subsidiary Prochem RPI Sp. z o. o.:
  - in the amount of PLN 4 000 thousand, including: amount of the loan PLN 4 000 thousand. The interest rate is set annually according to WIBOR 3M rate applicable on the first working day of each calendar quarter, increased by a margin of 2.0%. The repayment date of the loan with interest – 30 June 2027.

Increase:

- Accrued interest on loans granted to jointly-controlled entity Irydion Sp. z o. o.
  In the amount of PLN 356 thousand,
- Accrued interest on loans granted to jointly-controlled entity Prochem Inwestycje Sp. z o. o.
  in the amount of PLN 354 thousand,
- Accrued interest on loans granted to subsidiary Prochem RPI Sp. z o. o.

in the amount of PLN 87 thousand,

Decrease:

- Repayment of loans by jointly-controlled company Irydion Sp. z o. o. in the amount of PLN 17 000 thousand,
- Repayment of interest on loans by jointly-controlled company Irydion Sp. z o. o. in the amount PLN 356 thousand,
- Partial repayment of a loan by subsidiary Prochem Inwestycje Sp. z o .o. in the amount of PLN 500 thousand,
- Repayment of interest on loan by subsidiary Prochem Inwestycje Sp. z o. o. in the amount of PLN 572 thousand,
- Repayment of interest on loan by subsidiary RPI Sp. z o. o. in the amount of PLN 87 thousand.

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 plus a margin of 2.3%, 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% rate annually, 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 plus a margin of 2.3%. 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 PLN 11 500 thousand.
- Repayment of interest on loans by subsidiary Prochem Inwestycje Sp. z o. o. in the amount PLN 1 408 thousand.
- Repayment of interest on loans by jointly-controlled company Irydion Sp. z o. o. in the amount of PLN 540 thousand.

Note 8– Inventories

Inventories	**31 December 2022**	**31 December 2021**
Materials	194	299
Goods	-	-
Total inventories	**194**	**299**
Write-downs of inventories	557	557

Note 9 – Trade and Other Receivables

Trade and other receivables	31 December 2022	31 December 2021
Trade receivables	31 589	66 778
Write-downs of trade receivables	-3 076	-2 812
Trade receivables net, including	**28 513**	**63 966**
- with the repayment period up to 12 months	28 470	63 966
- with repayment period more than 12 months	43	-
Receivables from taxes, subsidies, custom duties, social and health insurance and other benefit	**-**	**-**
Other receivables	14	24
Write-down of other receivables	-	-
Net other receivables	**14**	**24**
Total receivables	**28 527**	**63 990**

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

Trade and other receivables from related entities	31 December 2022	31 December 2021
Trade receivables, including:	13	12
- from subsidiaries	6	6
- from jointly-controlled entities and associated entities	7	6
Total trade and other receivables from related entities, net	**13**	**12**
Write-down of receivables from related entities	-	-
Total trade and other receivables from related entities gross	**13**	**12**

Change in write-downs of trade and other receivables	31 December 2022	31 December 2021
As at the beginning of the period	2 812	2 899
a) increase (due to)	264	-
- provision for trade receivables	264	-
b) decrease (due to)	-	77
- payments received	-	65
- the use of provisions created in the previous periods	-	12
Write-downs of current trade and other receivables at the end of the period	**3 076**	**2 812**

Trade receivables with a period of repayment from the balance sheet date:	31 December 2022	31 December 2021
a) up to 1 month	14 240	33 886
b) more than 1 month up to 3 months	12 567	23 897
c) more than 3 months up to 6 months	1 488	799
d) more than 6 months up to 1year	17	4 581
e) more than 1 year	43	-
f) receivables overdue	3 234	3 615
Total trade receivables (gross)	**31 589**	**66 778**
g) write-downs of trade receivables	-3 076	-2 812
Total trade receivables (net)	**28 513**	**63 966**

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)	31 December 2022	31 December 2021
a) up to 1 month	15	541
b) more than 1 month up to 3 months	5	79
c) more than 3 months up to 6 months	12	43
d) more than 6 months up to 1year	62	140
e) more than 1 year	3 140	2 812
Total overdue trade receivables (gross)	3 234	3 615
f) write-downs of trade receivables, overdue	-3 076	-2 812
Total overdue trade receivables (net)	**158**	**803**

As at 31 December 2022 and as at 31 December 2021 trade receivables include current security deposits under statutory warranty for construction and assembly works, respectively in the amount of PLN 749 thousand and PLN 5 561 thousand.

Note 10 – Other Financial Assets

Other financial assets by types:	31 December 2022	31 December 2021
Other financial assets - security deposits securing the guarantees provided by the bank	7 962	8 658
Total financial assets	**7 962**	**8 658**
Write-downs of other financial assets -	-	
Other financial assets, gross	**7 962**	**8 658**

Note 11 – Other Assets

Other assets by types :	**31 December 2022**	**31 December 2021**
a) prepayments	1 023	809
- cost of property and personal insurance	237	192
- software maintenance costs	753	610
- subscriptions	8	4
- deferred costs	25	3
Total other assets	**1 023**	**809**

Note 12 – Share Capital

SHARE CAPITAL (THE STRUCTURE)							
Series / emission	Type of share	Type of share preferences	Number of shares	Series / emission at nominal value	Method of coverage of capital	Registration date	Right to dividend (from the date)
Founding	registered KDPW code PLPRCHM00055	3 votes per 1 share	580	580	cash	23-07-1991	01-10-1991
Founding	non-preferred registered KDPW PLPRCHM00022	-	6 816	6 816	cash	23-07-1991	01-10-1991
Founding	bearer KDPW PLPRCHM00014	-	1 810 104	1 810 104	cash	23-07-1991	01-10-1991
B	non-preferred registered KDPW PLPRCHM00022	-	750	750	cash	29-07-1993	01-01-1993
B	bearer KDPW PLPRCHM00014	-	536 750	536 750	cash	29-07-1993	01-01-1993
Total number of shares			**2 355 000**				
Total share capital				**2 355 000**			
Nominal value of 1 share = PLN 1.00							

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

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

As a result of the settlement, on November 28, 2022, of the own shares purchase transaction, the Company acquired a total of 350,000 (say: three hundred and fifty thousand) own shares, with a nominal value of PLN 1.00 each, which in total constitute 14.86% of the company's share capital. These shares correspond to 350,000 votes at the General Meeting of the Company, which constitutes 14.85% of votes at the General Meeting of the Company. The purchase price was PLN 36.00 (say: thirty six Zlotys) per share. The shares were acquired as part of the invitation to submit offers for the sale of no more than 350,000 Company shares with a nominal value of PLN 1.00 announced by the Company on November 7, 2022 (current report No. 23/2022).

The offer was announced on the basis of Resolution No. 4 of the Extraordinary General Meeting of the Company of September 24, 2022 on authorizing the Management Board of the Company to purchase own shares for redemption.

The shares were acquired outside the regulated market, through mBank S.A. seated in Warsaw.

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

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

Changing the rights from the isssuer's securities

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

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

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

1. On August 16, 2022, the Management Board of Prochem S.A. (hereinafter referred to as the Company) received information from Powszechne Towarzystwo Emerytalne PZU S.A. acting on behalf of Otwarty Fundusz Emerytalny PZU "Złota Jesień" ("OFE PZU") about a change in the hitherto held share in the total number of votes at the general meeting of the Company. The change results from the reduction of the share capital from PLN 2,935,000 to PLN 2,355,000 by way of redemption of 580,000 shares of the Company with a nominal value of PLN 1 each.
Before the change, OFE PZU held 284,916 shares in the Company, which constitutes 9.708% of the share capital and held 284,916 votes from these shares, which constitutes 9.704% of the total number of votes at the General Meeting.
After the change, OFE PZU holds 284,916 shares in the Company, which constitutes 12.10% of the share capital and holds 284,916 votes from these shares, which constitutes 12.09% of the total number of votes at the General Meeting.

2. On August 19, 2022, the Management Board of Prochem S.A. (hereinafter referred to as the Company) received information from the shareholder of the Company, Mr. Steven Tappan, about a change in the share held so far in the total number of votes at the general meeting of the Company. The change results from the reduction of the share capital from PLN 2,935,000 to PLN 2,355,000 by way of redemption of 580,000 shares of the Company with a nominal value of PLN 1 each.
Before the change, Mr. Steven Tappan held 1,000,000 shares in the Company, which constituted 34.07% of the share capital and held 1,000,000 votes from these shares, which constituted 33.1% of the total number of votes at the General Meeting.

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

3. On August 19, 2022, the Management Board of Prochem S.A. (hereinafter referred to as the Company) received information from the shareholder of the Company, Mr. Jean Jaques Alphandery and APUS S.A. on a change in the hitherto held share in the total number of votes at the general meeting of the Company. The change results from the reduction of the share capital from PLN 2,935,000 to PLN 2,355,000 by way of redemption of 580,000 shares of the Company with a nominal value of PLN 1 each.
Before the change, Mr. Jean Jaques Alphandery and APUS S.A. held 145,965 shares in the Company, which constituted 4.97% of the share capital, and held 145,965 votes from these shares, which constituted 4.97% of the total number of votes at the General Meeting.
After the change of Mr. Jean Jaques Alphandery and APUS S.A. hold 145,965 shares of the Company, which constitutes 6.20% of the share capital and hold 145,965 votes from these shares, which constitutes 6.20% of the total number of votes at the General Meeting.

4. On December 5, 2022, the Issuer received from APUS S.A. with its registered office in Warsaw and from Jean Jaques Alphandery, a notification on reducing the block of shares.
The decrease in the share in the total number of votes at the Issuer's General Meeting of Shareholders is a consequence of the settlement on November 28, 2022 of the transaction as part of the buyback of 350,000 own shares for redemption announced by the Issuer on November 7, 2022.
Before the change Jean Jaques Alphandery:
– as the parent entity in relation to APUS S.A. had in APUS S.A. 122,878 shares of the Issuer's company, which constituted 5.22% of the share capital and gave 5.22% of the total number of votes at the Issuer's General Meeting;
– held 23,087 shares of the Issuer's company on its own account, which constituted 0.98% of the share capital and gave 0.98% of the total number of votes at the Issuer's General Meeting.
After the settlement of the share sale transaction as part of the buyback of own shares for redemption announced by the Issuer, Jean Jaques Alphandery as the parent entity of APUS S.A. and through a subsidiary holds a total of 36,529 shares in the Issuer's company, which constitutes 1.56% of the Issuer's share capital, including:
– as the parent entity in relation to APUS S.A. has in the company APUS S.A. 30,752 shares of the Issuer's company, which constitutes 1.31% of the Issuer's share capital;
– holds 5,777 shares of the Issuer's company on its own account, which constitutes 0.25% of the Issuer's share capital.

Note 13 - Revaluation Reserve

	31 December 2022	31 December 2021
As at opening balance sheet	-538	-449
Actuarial losses on valuation of provisions for employee benefits	52	-89
As at closing balance sheet	**-486**	**-538**

Note 14 - Retained Earnings

	31 December 2022	31 December 2021
Spare capital	20 614	9 353
Other capital reserve	9 353	30 151
Profit for the period	26 256	2 713
Total	**56 223**	**42 217**

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 other.

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, 2022 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, 2022.

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, 2022:

- weighted average turnover ratio: overall 6.86%, including for traineeship > 3 years 5.06%
- weighted average probability of death: 0.003660 (based on the tables of the Central Statistical Office GUS PTTŻ 2021 which were reduced to 30%)
- weighted average probability of total disability: 0.002196 (ratio based on ZUS/Social Insurance Office case law for the years 2016 – 2020 which were increased up to 200%)
- annual increase in the basis for benefits: 10.0% in 2023 and in 2024, 6.5% in 2025-2028, 6.0% ≥ 2029
- interest rate used for discounting: 6.89% 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, 2022 (discounting factor: 0,93554)

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, 2021:

- weighted average turnover ratio: overall 7.79%, including for traineeship > 3 years 6.01%
- 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 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).

Change in provisions for retirement and disability pension gratuity

Description	In 2022	In 2021
Opening balance sheet for provisions for benefits	**881**	**843**
Benefits paid during the period (-)	-55	-155
Interest cost	30	15
Current employment cost /current write-down/	64	54
Actuarial losses(gains)	-64	111
Cost of past employment	0	13
Effect of the sale / merger of the Companies	0	0
Closing balance for provisions for benefits	**856**	**881**
Including current provision	*64*	*54*
Including non-current provisions	*792*	*827*

Breakdown of actuarial gains/losses

Description	In 2022	In 2021
Actuarial gains (losses) ‘ex post’	-81	11
Actuarial gains (losses)from the update of demographic assumptions	-52	23
Actuarial gains (losses) from update of financial assumptions	197	-145
Total actuarial gains (losses)	**64**	**-111**

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

Description	In 2022	In 2021
Current employment cost /current write-down/	-64	-54
Interest cost	-30	-15
Actuarial gains (losses) under other non-current benefits	0	0
Cost of past employment	0	-13
Total gain (loss)	**-94**	**-82**

Recognized in other comprehensive income:

Description	In 2022	In 2021
Actuarial gains (losses) under post-employment benefits	64	-111

Maturity profile of retirement and disability pension gratuity

Period	Flows	Breakdown of provisions
2023	67	64
2024	84	72
2025	56	43
2026	75	51
2027	70	43
≥ 2028	5 105	583
Total	**5 457**	**856**
PV / duration	1 628	14.98 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 p.p.	Provisions after change
-1.0%	945		-20%	899		-1.0%	775
-0.5%	899		-10%	877		-0.5%	814
0.0%	**856**		**0%**	**856**		**0.0%**	**856**
0.5%	816		10%	836		0.5%	901
1.0%	780		20%	817		1.0%	949

Note 16 – Non-current Loans

Non-current loans	31 December 2022	31 December 2021
a) to subsidiaries indirectly and directly	950	950
Total non-current loans	**950**	**950**

Loans received - as at 31December 2022

- 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 annual interest rate will correspond to the WIBOR 3M interest rate on the first business day of a given calendar quarter, increased by a margin of 2.0%. The repayment date was set on 31 December 2024.

Increase:

- Accrued interest on loan received from subsidiary Zachód Sp. z o. o. In the amount of PLN 71 thousand.

Decrease:

- Repayment of interest on loan received from subsidiary Prochem Zachód Sp. z o. o. in the amount of PLN 71 thousand.

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 Prochem Zachód Sp. z o. o. In the amount of PLN 29 thousand.

Decrease:

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

Note 17- Trade Payables

	31 December 2022	31 December 2021
a) to subsidiaries	1 250	164
- for supplies and services, with maturity:	1 250	164
- up to 12 months	1 250	164
b) to associated entities and jointly-controlled entities	-	8
- for supplies and services, with maturity:	-	8
- up to 12 months	-	8
c) to other entities	41 731	57 462
- for supplies and services, with maturity:	41 731	57 462
- up to 12 months	41 731	57 462
Total trade payables	**42 981**	**57 634**
Non-current liabilities – under seized security deposits with maturity more than 12 months	**8 800**	**9 266**
Total trade payables	**51 781**	**66 900**

Note 18 – Settlements under Long-term Agreements

	31 December 2022	31 December 2021
- amounts due from recipients under agreements	37 634	8 636
Amounts due from recipients under non-current agreements	**37 634**	**8 636**

	31 December 2022	31 December 2021
Amounts owed to recipients under agreements, including:	-	5 803
a) current	-	5 803
Amounts due from recipients under non-current agreements	**-**	**5 803**

Description	31 December 2022	31 December 2021
The value of revenues according to agreement	1 556 159	887 341
The value of revenues invoices	384 962	705 634
Planned commitments under the implementation of agreements	1 470 703	827 750
Realized contractual obligations	381 947	670 529
Amounts due from recipients	37 634	8 636
Amounts owed to recipients	-	5 803

Note 19 – Liabilities under Lease

	31 December 2022	31 December 2021
- liabilities under financial lease	-	-
- right-of-use liability	16 571	10 279
Total liabilities under lease	**16 571**	**10 279**
Including current liabilities	**2 258**	**3 342**

Note 20 –Other Liabilities

	31 December 2022	31 December 2021
a) to other entities	1 932	3 913
- under taxes, duties, insurance and other benefits	1 907	3 884
- under remuneration	3	-
- other (by type)	22	29
liabilities to employees	6	24
to shareholders	5	5
other	11	-
b) other current provisions	5 490	6 227
- provision for loss on contracts	1 376	3 716
- provision for future costs	2 514	938
- cost of audit	27	24
- current provision for retirement benefit	64	53
- provision for unused annual leaves	1 509	1 496
Total other liabilities	**7 422**	**10 140**

Note 21 - Revenues from Sale of Services

Revenues from sale of services (type of service and type of activity)	In 2022	In 2021
- revenues from sale of services, including:	**149 279**	**188 202**
- from related entities	2 695	3 401

Revenues from sale (territorial structure)	in 2022	in 2021
Domestic market	149 279	188 193
- including from related entities	2 695	3 401
Exports	-	9

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.
Amounts due from customers under non-current contracts are presented in the note 18.
Information on major customers, whose total value of revenues from sale of services exceeds 10% of total revenues, which were disclosed in the entity's statement of profit and loss for 2022, 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 2022	In 2021
- revenues from sale of services	2 648	1 649

Revenues from sale of goods and materials (territorial structure)	In 2022	In 2021
Domestic market	2 648	1 649

Note 23 – Cost of Services

Costs by type	In 2022	In 2021
a) amortization and depreciation	3 840	3 815
b) consumption of materials and energy	1 389	938
c) outsourcing	118 191	147 778
d) taxes and levies	37	42
e) remuneration	25 406	23 859
f) social security and other benefits	5 385	4 489
g) other costs by type (by category)	2 821	2 006
- property and personal insurance	1 118	866
-business trips	164	108
- State Fund for Rehabilitation of Disabled Persons (PFRON)	351	326
- cars rental	299	293
- other	889	413
Total costs by type	**157 069**	**182 927**
Change in inventories, goods and prepayments	-1 357	3 664
General and administrative expenses (negative value)	-10 961	-9 346
Cost of services	**144 751**	**177 245**

Note 24 - Other Operating Income

	In 2022	In 2021
a) gain on sale non-financial non-current assets	541	4
b) reversal of impairment allowance (due to)	-	77
- for receivables	-	77
c) other, including:	323	1 519
- reimbursement of litigation cost	47	11
- received compensation, fines and penalties	260	1 439
- other	16	69
Total operating income	**864**	**1 600**

Note 25 – Other Operating Expenses

	In 2022	In 2021
a) write-down (due to)	264	-
- of receivables	264	-
b) other, including:	170	374
- litigation costs	36	81
- paid damages, penalties and fines	129	292
- other	5	1
Total operating expenses	**434**	**374**

Note 26 – Financial Income

	In 2022	In 2021
a) income from dividends and profit sharing	31 562	-
b) interest on loans granted	797	1 342
- from subsidiaries	441	885
- from jointly-controlled entities	356	457
c) other interest	379	1
- from other entities	379	1
d)surplus of positive exchange rate differences	858	51
e) other, including:	329	1 289
- income from discount of non-current liabilities	329	1 289
Total financial income	**33 925**	**2 683**

Note 27 – Finance Costs

	In 2022	In 2021
a) interest on bank loans	-	55
b) interest on loans received from:	71	29
- subsidiaries	71	29
b) other interest	1 164	402
- to other entities	1 164	402
d) other, due to :	1 231	1 423
- commission on bank guarantees	861	719
- costs due to discount of financial assets	50	89

- costs due to discounted non-current liabilities	320	589
- other costs	-	26
Total finance costs	**2 466**	**1 909**

Note 28 – Income Tax

Establishment of the effective tax rate	Rok 2022	Rok 2021
(in PLN thousands)		
Profit for the period	26 256	2 713
Income tax	-725	1 098
Before tax profit	25 531	3 811
Income tax at the applicable rate 19 %	4 851	724
Revenues , not classified as tax revenue	-5 997	-253
Costs not constituting tax deductible costs	346	429
Other	35	128
Income tax	**-725**	**1 098**

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 2022	In 2021
Change in current receivables	**4 435**	**-3 675**
Trade and other receivables as at 1 January	63 990	61 232
Receivables under seized security deposits as at 1 January	61	883
Other assets as at 1 January	809	687
Amounts due under agreements as at 1 January	8 636	7 019
Opening balance sheet after adjustments	**73 496**	**69 821**
Trade and other receivables as at 31December	28 527	63 990
Receivables under seized security deposits as at 31 December	1 877	61
Other assets as at 31December	1 023	809
Amounts due under agreements as at 31 December	37 634	8 636
Closing balance sheet after adjustments	**69 061**	**73 496**
Change in current liabilities (except for borrowings, loans and special funds	**-22 195**	**-12 035**
Trade payables as at 1 January	57 634	55 481
Other liabilities as at 1 January	10 140	5 185
Amounts owed under agreements	5 803	20 486
Liabilities under seized security deposits	9 266	15 359
Provision to retirement benefit obligations	-53	-129
Provision to unused annual leaves	-1 456	-1 456
Provision to audit of statements	-24	-25
Provision to other costs	-1 549	-1 549
Investment commitments	-8	-55
Liabilities to shareholders	-5	-5
Opening balance sheet after adjustments	**79 708**	**93 292**

Trade payables as at 31 December	42 981	57 634
Other liabilities as at 31 December	7 421	10 140
Amounts due under agreements as at 31 December	-	5 803
Liabilities under seized security deposits as at 31 December	8 800	9 266
Provision to retirement benefit obligations	-64	-53
Provision to unused annual leaves	-1 509	-1 496
Provision to audit of statements	-27	-24
Investment commitments	-84	-8
Liabilities to shareholders	-5	-5
Closing balance sheet after adjustments	**57 513**	**81 257**
Change in other adjustments as at 31 December	**696**	**933**
Change in security deposits constituting collateral for bank guarantee	696	1 011
Other	-	-78

Note 30–Operating Segments

In the period from January 1, 2022 to December 31, 2022, there were no revenues from activities outside Poland (Exports), in the analogous period of the previous year, revenues amounted to PLN 9 thousand (i.e. 0.005% of sales revenue).

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

- A customer involved in the production of chemical raw materials – sales revenue PLN 23 394 thousand, representing 16% of sales revenue, which was shown in the segment „General contracting" and „Design services and other engineering services".
- A customer involved in the production of fertilizers – sales revenue PLN 75 905 thousand, representing 51% of sales revenue, which was shown in the segment „General contracting".
- A customer involved in the manufacture of other basic inorganic chemicals – sales revenue PLN 16 113 thousand, representing 11% of sales revenue, which was shown in the segment „ Design services and other engineering services"

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 01.01.2022 to 31.12.2022	General contracting	Design services, other engineering services	Rental of construction equipment	Commercial activity	Other	Items not assigned	Total
.-Revenues for external clients	105 063	41 535	398	2 648	2 283	-	151 927
Total revenues of the segment	**105 063**	**41 535**	**398**	**2 648**	**2 283**	**-**	**151 927**
Result **Profit (loss)of the segment**	**-8 494**	**2 042**	**-204**	**75**	**223**	**-**	**-6 358**
Financial income						33 925	33 925
Finance costs						-2 466	-2 466
Net financial income						**31 459**	**31 459**
Profit (loss) on other operating activity						430	430
Before tax profit						**25 531**	**25 531**
Income tax						-725	-725
Profit for the current period						**26 256**	**26 256**

Assets of the segment (related to activity)	23 593	6 650	126	-	22	-	30 391
Assets not assigned/unallocated (among others shares, stocks and other financial assets)						104 866	104 866
Total assets	**23 593**	**6 650**	**126**	**-**	**22**	**104 866**	**135 257**
Liabilities of the segment (related to activity)	29 121	681	60	-	2	50 853	80 717
Equity						54 540	54 540
Total liability and equity	**29 121**	**681**	**60**	**-**	**2**	**105 393**	**135 257**
Depreciation of property, plant and equipment	393	1 489	43		119	1 774	3 818
Amortization of intangible assets						23	23
Write-down of segment assets (receivables from supplies and services)	264	-	2 794	-	18	-	3 076

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)of the 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 activity						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 activity)	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 liability 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-down of segment assets (receivables from supplies and services)	-	-	2 794	-	18	-	2 812

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.

	01.01-31.12.2022	**01.01-31.12.2021**
Poland	151 927	189 851
Italy	-	9
Total sales revenue	**151 927**	**189 851**

Geographical breakdown of property, plant and equipment and intangible assets

	31.12.2022	31.12.2021
Poland	1 449	1 139
Germany	1	-
Total property, plant and equipment and intangible assets	**1 450**	**1 139**

Note 31 – Profit per One Share

Net profit per share remaining in trading as at balance sheet date 31 December 2022 is PLN 13.10; in 2021 profit amounted to PLN 1.15.

Note 32 – Profit Sharing and Loss Coverage

Company's net profit for 2021 in the amount of PLN 2 712 506.66 according to Resolution No. 16 of the Ordinary General Meeting of June 27, 2022 was fully allocated to spare capital

Proposed distribution of net profit for 2022

The Management Board of Prochem S.A. proposed net profit for 2022 in the amount of PLN 26,255,776.50 to be allocated to spare capital.

Note 33 - Dividends

The Issuer did not pay a dividend for 2021.

Note 34 - Financial Instruments and Financial Risk Management

34.1 Categories and classes of financial instruments

Financial assets

31 December 2022		**Categories of financial instruments**	
		Loans, receivables and other	**Total**
Classes of financial instruments	**note**		
Receivables from supplies and services	9	28 527	28 527
Amounts due from recipients under agreements	20	37 634	37 634
Cash		8 571	8 571
Security deposits	10	7 962	7 962
Loans granted	7	8 910	8 910
Total		**91 604**	**91 604**

31 December 2021

		Categories of financial instruments	
		Loans, receivables and other	Total
Classes of financial instruments	**nota**		
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	10	8 658	8 658
Loans granted	7	22 628	22 628
Total		**115 142**	**115 142**

Financial liabilities

31 December 2022

		Financial liabilities measured at amortized cost	Total
Classes of financial instruments	Note No.		
Loans	16	950	950
Amounts owed to recipients under agreements	18	-	-
Liabilities under supplies and services	17	42 981	42 981
Total		**43 931**	**43 931**

31 December 2021

		Financial liabilities measured at amortized cost	Total
Classes of financial instruments	Note No.		
Loans	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**

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

(in PLN thousands)

Classes of financial instruments	31 December 2022	31 December 2021
Receivables from supplies and services	(3 076)	(2 812)
Other financial assets	(121)	(121)
Total	**(3 197)**	**(2 933)**

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 repayment period 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 within guarantee lines 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 8 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 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 8 and 10.
In the estimation of the Management Board the risk of impaired financial assets is reflected in the impairment allowances.

Liquidity Risk

The Company is exposed to the liquidity risk resulting from the relation of current liabilities to current assets.
As at 31 December 2022 and as at 31 December 2021 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 event when the domestic currency is strengthened 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 2022

(in PLN thousands)	EUR	USD	NOK	Other in PLN	Total after translation into PLN
Financial assets					
Receivables from supplies and services	392	-	-	-	1 838
Cash	1 443	192	88	7	7 661
Total	**1 835**	**192**	**88**	**7**	**9 500**
Financial liabilities					
Liabilities under supplies and services	626	157	-	-	3 628
Total	**626**	**157**	**-**	**-**	**3 628**

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**

Analysis of sensitivity to currency risk as at 31 December 2022

(in PLN thousands)	Increase in exchange rate	Total impact on before tax profit	Drop in the exchange rate	Total impact on before tax profit
EUR/PLN	15%	-259	15%	259
USD/PLN	15%	28	15%	-28
NOK/PLN	15%	6	15%	-6
Total impact		**-225**		**225**

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**

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, 2022 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 2022 and 2021 were as follows:

currency	**revenues**		**Average exchange rate for sales**		**expenses**		**Average exchange rate for purchases**	
(in PLN thousands)	**2022**	**2021**	**2022**	**2021**	**2022.**	**2021**	**2022**	**2021**
EUR	2 411	2 830	4.6651	4.5823	3 178	4 513	4.6848	4.5551
USD	153	-	4.6926	-	272	-	4.6742	-
CHF	-	-	-	-	2	-	4.4326	-

In the reporting period EURO was the main currency.
Hypothetically assuming that if the Polish Zloty weakened/strengthened by 1% against EUR, then revenues in 2022 would increase or decrease by PLN 113 thousand and in 2021 by PLN 130 thousand, which would have an impact on before tax profit, while costs would increase in 2022 by PLN 149 thousand, and in 2021 by PLN 206 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 rate.
For other currencies, the sensitivity of financial instruments is insignificant.

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**	
	31.12.2022	**31.12.2021**	**31.12.2022**	**31.12.2021**
Financial assets				
Loans granted	8 250	16 628	-	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)**			
	31.12.2022		**31.12.2021**		**31.12.2022**		**31.12.2021**	
	increase	**drop**	**increase**	**drop**	**increase**	**drop**	**increase**	**drop**
Financial assets								
Loans granted	+50 base point	-50 base point.	+50 base point	-50 base point	41	(41)	83	(83)
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	(5)	5	-	-

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

Remuneration paid in 2022 in the Issuer's enterprise to the Members of the Management Board:

1. Marek Kiersznicki PLN 650.9 thousand
2. Krzysztof Marczak PLN 537.5 thousand
3. Michał Dąbrowski PLN 387.8 thousand

Remuneration paid in 2022 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. Wiesław Kiepiel PLN 60 thousand
5. Jarosław Stępniewski PLN 170.9 thousand

Remuneration paid to the Members of the Supervisory Board and Members of the Management Board in 2022:

1. Krzysztof Marczak PLN 132.6 thousand
2.. Marek Garliński PLN 87.6 thousand
3. Jarosław Stępniewski PLN 103.6 thousand

Transactions with related 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 2022				
	Sale of services	Purchase of services	Financial income - interest on loans	Financial income - dividends received	Finance costs - interest on loans
subsidiaries	20	14 774)*	441	-	71
Jointly-controlled entities and associated entities	2 675)**	1 947	356	31 562	-

)* - including purchased electrical services and supplies of electrical equipment from subsidiary Elektromontaż Kraków S.A. in the amount of PLN 13 276 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 2022

	Trade receivables	Receivables under loans granted	Other receivable	Trade payables	Liabilities under loans granted
subsidiaries	6	8 910	-	1 250	950
Jointly-controlled entities and associated entities	7	-	-	-	-

Comparative period
(in PLN thousands.)

from 1January 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	-	-

* - w 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	-

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

	As at 31December 2022	As at 31December 2021
Collateral granted		
Bank guarantee of good performance and statutory warranty	64 191	26 940
Tender guarantee	-	25
Guarantee of payment	1 163	1 058
Guarantee of return of advance payment	69	3 363
Total collateral granted	**65 423**	**31 386**
Surety agreement for the return of an advance payment from the company from the Capital Group from Prochem S.A.,	**-**	**-**
Total collateral granted and contingent liabilities	**65 423**	**31 386**

Collateral received	**As at 31December 2022**	**As at 31December 2021**
Bank guarantee of good performance	16 326	20 519
Bill of Exchange guarantee securing the terms of the contract	450	450
Total collateral received	**16 776**	**20 969**

Note 37 – Events after the Balance Sheet Date

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

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 Kiersznicki – 44,327 pcs.;
- Krzysztof Marczak –30,268 pcs.;
- Marek Garliński – 27,977 pcs.;
- Andrzej Karczykowski – 27,952 pcs.;
- Jarosław Stępniewski – 50,206 pcs.

The nominal value of one share is PLN 1.
The change in the number of shares held by managing and supervising persons results from the sale of shares for redemption at PLN 36 per share.

- Marek Garliński – reduction in the number of shares held by 21,952 pcs.;
- Andrzej Karczykowski – reduction in the number of shares held by 83,740 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

For the activities of Prochem S.A. in 2023, the Company's macroeconomic environment will have a significant impact, in particular the course of the war in Ukraine, the possibility of obtaining funds from the EU for the National Reconstruction Plan, interest rates on loans, the level of inflation and the related prices of energy, materials and construction services. All these factors significantly influence the decisions made by potential customers of Prochem S.A. (in particular industrial companies) decisions to start new investment projects. 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 the sale of services and results on operations.

Note 39 - The Impact of the Coronavirus Pandemic on the Operations of Prochem S.A.

Since the outbreak of the epidemic, the Company has implemented many procedures related to the need to adapt to the constantly changing operating conditions, as well as to prevent the spread of COVID-19 infections.
As at the moment of preparation of these financial statements, the Company's financial situation is stable.
The Management Board of the Company monitors the current situation with particular attention.
If necessary, the Company's Management Board is prepared to take action to adapt its potential to the new conditions in order to mitigate any negative effects.

Note 40 - The impact of the Military 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 2022 to 31 December 2022 were approved for issue by the Management Board of Prochem S.A. on 28 April 2023.

Signatures of the Members of the Management Board

28 April 2023	Marek Kiersznicki	President of the Management Board	....
date	first name and surname	position	signature
28 April 2023	Krzysztof Marczak	Vice President of the Management Board	….......................
date	first name and surname	position	signature
28 April 2023	Michał Dąbrowski	Member of the Management Board	….......................
date	first name and surname	position	signature

Signature of the person responsible for bookkeeping

28 April 2023	Barbara Auguścińska-Sawicka	Chief Accountant	....
date	first name and surname	position	signature