CONSOLIDATED FINANCIAL STATEMENTS OF PROCHEM S.A. CAPITAL GROUP

as at and for the period ended 31 December 2021

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

www.prochem.com.pl

Table of content to the consolidated financial statements of the Prochem S.A. Capital Group

Selected financial data

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

- for 2021 - 4.5775PLN/EUR
- for 2020 - 4.4742PLN/EUR

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

- 4.5994 PLN/EUR as at 31 December 2021
- 4,6148 PLN/EUR as at 31 December 2020

Selected financial data of Prochem S.A. Capital Group

Description	**Reporting period ended 31 December**		**Reporting period 31 December**	
	In 2021	**In 2020**	**In 2021**	**In 2020**
	In PLN thousands		**in EURO thousands**	
Consolidated statement of profit and loss				
Revenues from sale	247 848	352 207	54 145	78 720
Gross profit on sales	17 753	28 794	3 878	6 436
Results from operating activities	4 737	17 041	1 035	3 809
Before tax profit	8 148	17 918	1 780	4 005
Profit for the period assigned to :	6 280	14 008	1 372	3 131
Shareholders of the Parent Entity	6 143	13 863	1 342	3 098
Non-controlling interest	137	145	30	32
Profit/diluted profit per one share (in PLN/EUR)- assigned to shareholders of the parent entity	2.61	4.72	0.57	1.06
Consolidated statement of cash flows				
Net cash provided by (used in) operating activities	-5 017	4 290	-1 096	959
Net cash provided by (used in) investing activities	-1 532	5 153	-335	1 152
Net cash provided by (used in) financing activities	-17 985	-5 296	-3 929	-1 184
Total cash flows, net	-24 534	4 147	-5 360	927

Description	**As at**		**As at**	
	31 December 2021.	**31 December 2020**	**31 December 2021**	**31 December 2020**
	In PLN thousands		**in EURO thousands**	
Consolidated statement of financial position				
Total assets	244 577	251 465	53 176	54 491
Total non-current assets	109 428	107 632	23 792	23 323
Total current assets	135 149	143 833	29 384	31 168
Equity attributable to shareholders of the parent entity	99 138	105 623	21 555	22 888
Non-controlling interest	3 636	6 942	791	1 504
Total equity	102 774	112 565	22 345	24 392
Total non-current liabilities	36 272	42 521	7 886	9 214
Total current liabilities	105 531	96 379	22 945	20 885
Book value per one ordinary share (in PLN/EUR)- assigned to shareholders of the parent entity	42.10	35.99	9.15	7.80
Weighted average number of shares (in pcs..)	2 355 000	2 935 000	2 355 000	2 935 000

Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	Note No.	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	1	15 757	17 190
Intangible assets	2	89	76
Investment property	3	10 598	9 861
Right-of-use assets	4	24 422	26 318
Shares	5	830	830
Shares in entities valued using the equity method	6	39 139	33 907
Deferred tax assets	7	1 362	1 484
Receivables under seized security deposits		231	883
Other financial assets	8	17 000	17 083
Total non-current assets		**109 428**	**107 632**
Current assets			
Inventories	9	8 379	5 339
Trade and other receivables	10	87 288	75 099
Receivables under current income tax		436	756
Amounts due from recipients under contracts	21	14 996	13 163
Other financial assets	11	8 658	9 669
Other assets	12	998	879
Cash and cash equivalents		14 394	38 928
Total current assets		**135 149**	**143 833**
Total assets		**244 577**	**251 465**

Consolidated statement of financial position
(all amounts in PLN thousands if not stated otherwise)

Equity and liabilities	**Note No.**	**31 December 2021**	**31 December 2020**
Equity			
Share capital	13	2 935	2 935
Shares		-580	-
Revaluation reserve	14	6 513	7 043
Retained earnings	15	90 270	95 645
Parent entity owners' equity		**99 138**	**105 623**
Non-controlling interest		**3 636**	**6 942**
Total equity		**102 774**	**112 565**
Non-current liabilities			
Non-current loans	19	300	-
Provision to deferred income tax	7	2 759	2 459
Liabilities under retirement and similar benefits	16	2 313	2 066
Non-current liabilities under seized security deposits		9 020	14 291
Non-current liabilities under lease	22	21 737	23 562
Other non-current liabilities	17	143	143
Total non-current liabilities		**36 272**	**42 521**
Current liabilities			
Current bank loans	18	3 704	1 334
Current borrowings	19	400	-
Trade payables	20	77 461	60 951
Amounts owed to recipients under contracts	21	5 803	20 486
Liabilities under current income tax		16	159
Current liabilities under lease	22	4 923	4 576
Other liabilities	22	12 405	8 501
Deferred income	23	819	372
Total current liabilities		**105 531**	**96 379**
Total liabilities		**141 803**	**138 900**
Total equity and liabilities		**244 577**	**251 465**
Book value – equity assigned to Parent Entity owners		**99 138**	**105 623**
Average number of ordinary shares (in pcs.)		**2 355 000**	**2 935 000**
Book value per one share (in PLN) – assigned to owners of the Parent Entity		**42.10**	**35.99**

Consolidated statement of profit and loss

(all amounts in PLN thousands if not stated otherwise)

	Note No.	In 2021	In 2020
Revenues from sale, including :		247 848	352 207
Revenues from sale of services	24	245 768	348 991
Revenues from sale of goods and materials	25	2 080	3 216
Cost of sale, including :		-230 095	-323 413
Cost of services sold	26	-228 096	-320 526
Cost of merchandise and materials		-1 999	-2 887
Gross profit on sales		**17 753**	**28 794**
General and administrative expenses	26	-14 899	-14 652
Other operating income	27	2 788	3 274
Other operating expenses	28	-905	-1 390
Other income – result of one-off event	29	-	1 015
Result from operating activities		**4 737**	**17 041**
Financial income	30	1 818	847
Profit from the sale of all or part of shares of subsidiary		-1 044	60
Finance expenses	31	-2 596	-2 438
Profit sharing in entities valued using the equity method		5 233	2 408
Before tax profit		**8 148**	**17 918**
Income tax:	32	1 868	3 910
- current tax		1 423	4 222
- deferred tax		445	-312
Profit for the period		**6 280**	**14 008**

Profit for the period assigned to :		
Shareholders of Parent Entity	6 143	13 863
Non-controlling interest	137	145
Weighted average number of ordinary shares (in pcs..)	2 355 000	2 935 000
Profit (loss) per ordinary share (in PLN per one share) assigned to owners of the Parent Entity	2.61	4.72

Consolidated statement of comprehensive income

	in 2021	in 2020
Profit for the period	**6 280**	**14 008**
Other comprehensive income net	**-110**	**125**
Other comprehensive income that will be reclassified to profit and loss under certain conditions:	**-**	**-**
Other comprehensive income that will not be reclassified to profit and loss (before tax):	**-110**	**125**
Non-current assets update	-5	293
Actuarial profit (losses) on valuation of provisions for employee benefits	-126	-134
Income tax on other comprehensive income	-21	34
Total comprehensive income	**6 170**	**14 133**

Total comprehensive income assigned to :		
Shareholders of parent entity	6 035	13 975
Non-controlling interest	135	158
Weighted average number of ordinary shares (in pcs..)	2 355 000	2 935 000
Total comprehensive income per ordinary share (in PLN per one share) assigned to owners of the Parent Entity	2.56	4.76

Consolidated statement of changes in equity

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Own shares	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
in 2021							
As at the beginning of the period after making the data comparable	**2 935**	-	**7 043**	**95 645**	**105 623**	**6 942**	**112 565**
Net profit of the given period	-	-	-	**6 143**	**6 143**	**137**	**6 280**
Other comprehensive income (net)	-	-	*-108*	-	*-108*	*-2*	-110
Total comprehensive income	**-**	**-**	**-108**	**6 143**	**6 035**	**135**	**6 170**
Buy-back of own shares of Prochem S.A.	-	*-580*	-	*-14 500*	*-15 080*	-	-15 080
Other changes	-	-	-422	2 982	2 560	-3 441	-881
As at the end of the period	**2 935**	**-580**	**6 513**	**90 270**	**99 138**	**3 636**	**102 774**

	Share capital	own shares	Revaluation reserve	Retained earnings	Equity assigned to shareholders of parent entity	Equity assigned to non-controlling interest	Total equity
In 2020							
As at the beginning of the period after making the data comparable	**2 935**	**-**	**6 928**	**81 953**	**91 816**	**6 797**	**98 613**
Net profit of the given period	-	-	-	**13 863**	**13 863**	**145**	**14 008**
Other comprehensive income (net)	**-**	**-**	***112***	**-**	***112***	***13***	**125**
Total comprehensive income	-	-	**112**	**13 863**	**13 975**	**158**	**14 133**
Other changes	-	-	3	-171	-168	-13	**-181**
As at the end of the period	**2 935**	-	**7 043**	**95 645**	**105 623**	**6 942**	**112 565**

Consolidated statement of cash flows

(all amounts in PLN thousands if not stated otherwise)

	in 2021	in 2020
Cash flows – operating activity		
Before tax profit	8 148	17 918
Total adjustments	-11 919	-8 794
Share i net profit of associates	-5 233	-2 408
Amortization and depreciation	6 759	6 311
Interest and profit sharing (dividends)	657	736
Gain on disposal of property, plant and equipment	-784	-2 301
Loss on investmenti	1 066	-60
Change in provisions	-1 579	354
Hange in inventories	-3 040	-1 181
Change in receivables and other assets	-13 489	11 761
Change in current liabilities except for borrowings and loans	2 332	-22 089
Other adjustments (including change in deferred income)	1 392	83
Cash flows provided by (used in) operating activities	-3 771	9 124
Income tax paid	1 246	4 834
Net cash provided by (used in) operating activities	**-5 017**	**4 290**
Cash flows – investing activity		
Disposal of intangible assets and property, plant and equipment	477	4 639
Interest received on loans granted to related entities	540	1 631
Acquisition of intangible assets and property, plant and equipment	-1 527	-1 110
Acquisition of shares in subsidiary	-1 022	-
Other outflows	-	-7
Cash flows provided by (used in) investing activity	**-1 532**	**5 153**
Cash flows – financing activity		
Bank loan incurred	3 020	5
Other financial inflows	-	53
Acquisition of own shares	-15 080	-
Repayment of bank loans	-250	-450
Intererst and commission paid	-119	-177
Payment of liabilities under lease	-5 556	-4 727
5 56Cash flows – financing activities	**-17 985**	**-5 296**
Total cash flows, net	-24 534	4 147
Net increase/(decrease) in cash and cash equivalents	-24 534	4 147
Cash and cash equivalents as at the beginning of the period	**38 928**	**34 781**
Cash and cash equivalents at the end of the period	**14 394**	**38 928**
Including restricted cash	**2 086**	**1 077**

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

1. Establishment of the Parent Entity and Principal Activity

Company Prochem S.A. (hereinafter called „Prochem”, „Company”, „Issuer” or "Parent Entity") seated in Warsaw, 95 Łopuszańska Street. The Company is registered in the National Court Register (KRS) by the District Court for the Capital City Warsaw, XIVCommercial Department of the National Court Register, under KRS number 0000019753. Principal activity according to Polish Business Classification (PKD 2007) determines symbol 4120Z construction works associated with constructing residential and non-residential buildings. According to Warsaw Stock Exchange classification the company belongs to construction sector. Company Prochem S.A. is a Parent Company of the Capital Group and prepares consolidated financial statements. Prochem S.A. was established through transformation of a state-owned enterprise under the name of Przedsiębiorstwo Projektowania i Realizacji Inwestycji Przemysłu Chemicznego „Prochem”. The notarial deed and statutes were signed in 1991. Duration of the Company is unlimited.

Information for esef
Place of business: Warszawa (02-457), ul. Łopuszańska 95
Country of registration: Poland
Name change: was not
Business address: Warszawa (02-457), ul. Łopuszańska 95

2. The Management Board and Supervisory Authorities of the Issuer

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

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

In the period from January 1st, 2021to December 31st 2021 there was a change in the position of the President of the Management Board of the Company.
President of the Management Board, Mr. Jarosław Stępniewski, resigned from membership in the Management Board of the Company as of June 23, 2021. By a resolution of the Supervisory Board on May 26, 2021 the Supervisory Board appointed the Management Board for the next term of office composed of:
Marek Kiersznicki - President of the Management Board
Krzysztof Marczak - Vice President of the Management Board
Michał Dąbrowski - Member of the Management Board
he three-year joint term of the company’s management board began on June 25, 2021.

Composition of the Supervisory Board of Prochem S. A.

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

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

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

3. Employment

Average employment in 2021 was 378 FTEs and in 2020 388 FTEs. Level of employment as at 31 December 2021 in persons was 379 and as 31 December 2020 388.

4. Description of the Organization of the Capital Group with Indication of Entities Subject to Consolidation

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

Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o.o. seated in Dąbrowa Górnicza- in restructuring – subsidiary indirectly (93.2%);
- PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.7% of share in capital and profit, 72.3% of votes);
- Prochem Zachód Sp. z o.o. z seated in Warsaw – subsidiary directly (80.0%);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (91.07%), including 56.59% of share in capital and votes holds company Prochem Inwestycje subsidiary in 100%. Company Elektromontaż Kraków S.A. prepares consolidated financial statements, which contains data of subsidiary in 100%: ELMONT-POMIARY Sp. z o.o. seated in Krakow.
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – subsidiary indirectly (50.14% of share holds company Prochem Inwestycje Sp. z o.o. subsidiary in 100%);
- Prochem RPI Sp. z o.o. seated in Warsaw – subsidiary in 100% (including 3.3% of share in capital and votes holds company Prochem Inwestycje).

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

- ITEL Sp. z o.o. seated in Gdynia – 42.0% of share (18.7% of share and voting rights and capitals holds directly Prochem S.A., and 23.3% holds Prochem RPI Sp. z o.o. subsidiary in 100%);
- Irydion Sp. z o.o. seated in Warsaw – 50% of share jointly-controlled company.

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

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

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

On February 4, 2021, on the basis of a share sale agreement, the company Prochem S.A. purchased 20,234 series A registered shares of Elektromontaż Kraków S.A. based in Kraków, with a nominal value of PLN 5 each. The parties agreed to purchase price of shares at PLN 50 per share, the total purchase price was PLN 1,021,939. Before the transaction, the company Prochem S.A. had a direct and indirect share in the voting right in the amount of 85.4%, and after the transaction, the share in the voting right is 93.8%

On June 16, 2021, on the basis of an agreement of sale of shares for redemption, Prochem Inwestycje Sp. z o.o. sold 94,000 series A registered shares of Elektromontaż Kraków S.A. based in Kraków, with

a nominal value of PLN 5 each. The share purchase price was set at PLN 105 per share, the total sale price was PLN 9,870,000.
AGM of Elektromontaż Kraków S.A. on June 15, 2021, agreed to buy back its own shares for redemption. The maximum number of shares purchased for this purpose by the company is 96,000 with the total nominal value PLN 480,000. Before the transaction of purchase of shares for their redemption, the Capital Group had a direct and indirect share in the voting right in the amount of 91.07%.

On April 8, 2021, by the decision of the District Court for Kraków-Śródmieście in Kraków, IX Commercial Division of the National Court Register was liquidated and removed from the National Court Register, indirect subsidiary Elmont Inwestycje sp. z o. o.

On June 28, 2021 by the decision of the District Court for Kraków-Śródmieście in Kraków, XI Commercial Division of the National Court Register was liquidated and removed from the National Court Register, indirect subsidiary Elpro sp. z o.o..

5. Adopted Accounting Principles

Principle of presentation

Consolidated financial statements of the Prochem S.A. Capital Group for the period from 1 January to 31 December 2021 and analogous period of the comparable year was prepared according to International According Standards (IAS) and International Financing Reporting Standards (IFRS), which were endorsed by European Union (EU) and were effective as at 31 December 2021. The scope of financial statements is compliant with the Minister of Finance Regulation of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent required by the law of a non-Member State (Official Journal, item 757).

The presented consolidated financial statements of the Capital Group present fairly and clearly the financial and property position of the Group as at December 31, 2021 and the comparative data as at December 31, 2019, as well as the results of this activity for the year ended December 31, 2021 and comparative data for the year ended December 31, 2020.

The consolidated financial statements of the Prochem S.A. Capital Group as at 31 December 2021 was prepared assuming that the Prochem Capital Group will continue to operate as a going concern in foreseeable future. The management boards of companies included in the Capital Group of Prochem S.A. analysed the circumstances described in note 42 and, in their opinion, they do not affect the individual companies' ability to continue as a going concern.

Consolidated financial statements was prepared based on the principle of the historical cost, apart from:
- land, buildings and construction measured at revalued amount,
- investment properties and investment properties-in progress measured at fair value.

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

Changes in accounting estimates and accounting policies

The preparation of financial statements under of IFRS endorsed by EU requires using certain accounting estimates and adoption of assumptions concerning future events. Items of the financial statements set under the estimation are subject to verification if circumstances being base of estimates are changing or as a result of obtaining new information or of progressing course of events or of acquiring greater experience. When preparing the consolidated financial statements hereby, we applied the same accounting principles and the same calculation methods which were applied in the financial statements of the Capital Group of Prochem S.A. for the year ended 31 December 2020.

Accounting estimates made
Information about the adopted assumptions and uncertainties relating to estimates made are included in the following notes:

- Note 1 – Property, plant and equipment: the key assumptions used in the prognosis of discounted cash flows;
- Note 3 – Investment properties; the key assumptions used in the prognosis of discounted cash flows;
- Note 16 – Liabilities under retirement benefits: key actuarial assumptions;

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

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

The International Accounting Standards Board (IASB) approved amendments to the standards for application after January 1, 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 regarding the reform of the interest rate banchmark – IBOR reform.

Approved by the IASB for use after April 1, 2021:

- Amendments to IFRS 16 - simplification regarding changes resulting from leasing contracts in connection with COVID-19.

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

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

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

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

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

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

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

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

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

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

Companies from Capital Group of Prochem S.A. have taken a number of steps in connection with the COVID-19 pandemic. When the first cases of COVID-19 appeared in the country, the Group developed action plans to ensure the continuity of operation and the provision of key services provided by Prochem S.A.. Similar procedures were also implemented in the remaining companies of the Group. They are constantly adapted to the changing environmental conditions.
In relation to the contracts being implemented, the Group has implemented additional measures to reduce the risk of potential breaches of the terms of the contracts signed by contractors as a result of a change in the economic situation. In particular, in the area of construction and assembly contracts and deliveries, additional procedures were implemented in the field of ongoing monitoring of compliance with the terms and dates of contract performance and the contractor's financial situation. The risk of losing financial liquidity by key suppliers is analysed on an ongoing basis and, if necessary, appropriate actions are taken, including shortening payment terms in individual cases.

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

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

Management boards of companies from the Capital Group of Prochem S.A. monitor the current situation with particular attention. Actions were also taken to stabilize the financial and operational stability of the Group's companies by collecting the necessary financial reserves and using appropriate tools and IT solutions to maintain the project potential (e.g. creating remote work opportunities). Due to the fulfilment of the conditions set out in the relevant act (e.g. due to the decline in economic turnover), one company from the Group also used the available support programs.

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

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

7. The impact of the war conflict in Ukraine on the company's operations

The Group monitors the impact of the political and economic situation in Ukraine on the Group's operations on an ongoing basis. As at the date of hereby financial statements, the Company had observed a noticeable impact on sales and the supply chain. First of all, there has been a sharp increase in the prices of goods and services, delivery times for equipment and materials have been extended and the availability of some goods has been limited.

The Management Board of companies from the Capital Group 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.

The above-mentioned factors may have an impact on the level of profitability of the business. It is monitored on an ongoing basis so as to take appropriate steps regarding the organization of work and fulfil obligations on time, if necessary.

As at the date of hereby consolidated report, the Group of Prochem S.A. sees no threat to continue operations as a going concern for the Group of Prochem.

8. The adopted accounting principles applied by the Capital Group are presented below

The principles of consolidation

1. When preparing the consolidated financial statements of the Prochem Capital Group, the following procedures were applied:
    - The data of subsidiaries were recognized in financial statements using the full method, consisting in combining the financial statements of the parent company and its subsidiaries by adding together like items of assets, liabilities, equity, revenues and expenses,
    - Shares in associated entities and jointly-controlled entities are measured in the consolidated financial statements using the equity method, and at initial recognition are recognized at cost. The purchase price include transaction costs.

Assessment whether the Parent Company controls the company requires determining whether it has the right to manage the significant activity of the company. Determination of the company’s significant activity, and who of the investors controls it, requires judgment. In assessing the situation and determining the nature of ties, the following factors are taken into account: i.e. voting rights, relatively owned share, distribution of voting rights held by other investors, scope of these investors’ participation in appointing of key managerial staff or members of a Supervisory Board.

2. The subsidiaries are entities controlled by the Parent Entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date of obtaining the control until the date when it expires.
3. Accounting principles applied by subsidiaries have ben unified with the principles adopted by the Group.

4. Goodwill of subsidiaries represents the surplus of the purchase price of components of assets acquired by the parent company over the fair value of the net assets of the subsidiary, in proportion to the acquired share in the entity's equity. Negative goodwill of subsidiaries is the surplus of the fair value of the net assets of the subsidiary above the purchase price of components of assets borne by the parent company, in proportion to the acquired share in the equity of this entity. As at the date of acquisition of subsidiary and associated company (obtaining control), assets, equity and liabilities and contingent liabilities of a subsidiary are measured at fair value.
5. At the moment of loss of control (e.g. in the event of sale), the Group ceases to recognize assets and liabilities of the subsidiary, non-controlling interest and remaining components of the capitals related to the subsidiary. Possibly surplus or deficit arising from the loss of control is recognized in profit or loss of the current period. If the Group retains any interests in the former subsidiary, they are subsequently measured at fair value as at the date of the loss of the control.
6. Shares of non-controlling interest are disclosed at assigned value, even if it results in arising of a negative balance of non-controlling interests.
7. The Group of Prochem S.A. treats the transactions with the non-controlling interests as transactions with external entities.
8. Gains or losses arising from the sale of shares to non-controlling interests are recognized in equity.
9. As associated entities are considered such entities in which Prochem has between 20% and 50% of the total number of votes in the decisive bodies or otherwise may exercise substantial influence over their financial and operating policies. As the jointly-controlled entities are considered such the entities in which Prochem S.A. holds 50% of the total voting rights in the decisive bodies.
10. Investments in associated and jointly-controlled entities are accounted for using the equity method and are initially recognized at cost. Share in profit or loss of the associate or jointly-controlled is recognized in profit and loss account. If the share in losses of an associate or jointly-controlled equals or exceeds interest of the Group of Prochem in this entity, the Group does not recognize further losses, unless it is obliged. Unrealized gains between the Group and the associate are eliminated to the level of the Group's interest in such entity.
11. The purchase price of shares in associated companies and in jointly-controlled entities is subject to adjustments by any changes in the fair value of the net assets, which are attributable to the value of the share held, from the moment of purchase until the date of the financial statements, as well as effects of a stated impairment.
12. At preparing the consolidated financial statements shall be done the following adjustments and exemptions:
    - In the scope of exemptions:
        1. Shares with the equity held by the parent company, at the moment of obtaining control of subsidiaries,
        2. Mutual receivables and liabilities and other settlements of a similar nature of consolidated entities,
        3. Income and expenses from mutual buying and selling operations in the capital group,
        4. Dividends accrued or paid by the subsidiaries to the parent company, and to other consolidated entities.

    - In the scope of adjustments:
        1. Gains or losses arising as a result of economic transactions between consolidated entities.

The items of the financial statements are divided into short-term and long-term (current and non-current) according to IAS 1.

Property, plant and equipment and intangible assets

Property, plant and equipment include non-current assets and expenditures on construction in progress which the Group 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 consolidated financial statements for the current period and comparative periods, for depreciation of PPE the following useful lives are used by the Group:

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

The useful lives and depreciation method applied are verified at the end of each reporting year and are adjusted in justified cases.
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 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 consolidated financial statements for the current period and comparative periods the Group applied useful life period of 3-10 years for amortization of intangible assets.

The applied useful lives and amortization methods are verified at the end of each reporting year and adjusted in subsequent periods in justified cases.
Intangible assets are subject to the impairment tests if premises for impairment exist. The value is tested for impairment at the end of the financial year. The effects of the impairment are recognized in other operating costs.

Investment property

Investment property is a property (land or a building or part of a building, or both), which the Company treats as a source of rental income or maintains due to the increase in value, or in order to benefit from both of them, and the investment property:

- is not used in operating activities,
- is not offered for sale in the ordinary course of investment activity.

Investment properties are also real estates under construction or their adaptation, which are to be used in the future as investment properties. Gains or losses arising from the sale / liquidation of the investment property shall be determined as the difference between proceeds from sale and the carrying amount of these assets and are recognized in the statement of profit and loss.
Investment properties are initially measured at its cost, including transaction costs. After initial recognition, investment properties are measured at fair value as defined in the fair value model and in IFRS 13 *Fair Value Measurement*. The method of valuation is obligatory to all investment properties unless some investment properties cannot be measured by this method – then, the cost approach is used until the property is sold.
Profit or loss from changes in the fair value of the property is recognized in the result for the period in which the change occurred.

Change in classification, i. e. transfers to, or from, the investment property are only made when there is a change in use, e. g.:

- commencement of owner-occupation – transfer from investment property to property, plant and equipment,
- end of owner-occupation – transfer from property, plant and equipment to investment property,
- commencement of development with a view to sale – transfer from investment property to inventories,
- commencement of an operating lease to third party – transfer from inventories to investment property.

The cost of an investment property transferred to property, plant and equipment or to inventories is its fair value as at the date of change in the method of use.

The difference between the fair value and the carrying amount, which arose at the time of transfer to investment properties measured at fair value:

- PPE - is accounted for as a revaluation in accordance with IAS 16,
- inventories - is recognized as profit or as loss for the period,
- completion of construction or development of investment property on own account - as the profit or loss for the period.

The fair value in accordance with IFRS 13 is such a price, which would be received from the sale of an asset, or which could be paid for the transfer of a liability in transaction made on usual conditions

between market participants at the measurement date. Measurement of fair value refers to a specific asset. Therefore, at measurement at fair value should be taken into account the features of the asset, if market participants would consider such features when determining the price of the asset at the measurement date. Such features include, for example:
- condition and location,
- any restrictions on the sale or use of the asset.

The impact of individual features is to differ in depending on how these features will be taken into account by the market participants.

Fair value measurement is based on the assumption that the transaction on disposal of assets is held:
- on the principal market for the asset,
- in case of the absence of a principal market, the most advantageous market for the asset. The most advantageous market means market that maximises the amount that would be received to sell the asset by the seller of the asset, after taking into account transaction costs and transport costs.

The standard requires the classification of fair value measurements depending on the information obtained for the purposes of valuation in accordance with the following hierarchy:

- Level 1: quoted exchange prices for identical assets or for liabilities in the active markets that are available at the measurement date.
- Level 2: initial data not constituting prices of Level 1, but are observable either directly or indirectly.
- Level 3: unobservable data.

IFRS 13 requires disclosures in financial statements. The scope of required disclosures depends on the category of fair value measurement (i. e. whether it is included in the financial statements or in the notes only) and on the level of the fair value hierarchy within which the fair value measurements are categorised.

Disclosures resulting from IFRS 13 concerning fair value model relate to:

- Reconciliation of fair value at the beginning of the period and its value at the end of the period.
- A level from the three levels of fair value hierarchy. For investment properties, it will be a level 2 or 3 for which it is required:
  - disclosure of the amount of transfer between levels (the reasons for those transfers and the policy applied by the Group for determining whether such a change in levels has occurred),
  - description of applied valuation techniques and inputs,
  - in case of the change in the valuation techniques used in the fair value measurement, disclosure of such a change and the reasons for making such a change.
- If the highest and best use of a non-financial asset differs from its current use, should be disclosed the reason for different use of this asset.
- Information enabling reconciliation of classes of assets and liabilities, which were disclosed at the separate levels of the fair value hierarchy with items presented in the statement of financial position.

Measurement of fair value of the entity's investment property is carried out by an independent expert, who has qualifications relevant to carrying out valuations of real estate, as well as current experience in such valuations in locations where assets of the Group are located.

In justified cases, investment properties whose value changes by at least 10%, are valued each year.

Leases

The Group as the lessee

At the time of concluding a new contract, the Group 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 Group 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 Group 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 Group 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 Group will not use the option of termination.
After the commencement date of the lease, the right-of-use asset is measured by:
- an increase in the carrying amount to reflect interest on the lease liability,
- a decrease in the carrying amount to reflect the paid lease payments and
- updating the balance sheet valuation to include any reassessment or change of the lease or to include updated fixed lease payments

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

The Group has lease contracts regarding the use of:

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

The Group 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 Group 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 Group 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 Group as the lessor

Lease agreements, such as rent agreements according to which the Group 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.

Current assets

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

Receivables are recognized initially at fair value, and subsequently measured at amortized cost using the effective interest rate method less impairment allowances. Impairment allowance of receivables is identified when there is objective evidence that the entity will not receive all amounts due according to the original terms of receivables and it is recognized in other operating expenses**.** Impairment allowance is established according to IFRS 9 Financial instruments.

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

Non-current assets held-for sale

Non-current assets held-for-sale are assets meeting at the same time 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 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 significantly changed.

Change of 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 accounting principles. Non-current assets held-for-sale (excluding financial assets and investment properties) are recognized in the financial statements 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 Group shall measure component of assets or liabilities at fair value, increased in case of the 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 asset such as: fees and commissions paid to advisers or 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 administrative costs nor costs of holding of the instruments.

Measurement of financial instruments – IFRS 9

IFRS 9 provides for three categories of debt instrument classification:

- at amortized cost,
- at fair value through other comprehensive income,
- at fair value through profit or loss.

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

Impairment of financial instruments

IFRS 9

At the moment of initial recognition, financial assets should be classified into one of three categories:

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

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

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

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

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

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

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

The classification of financial assets is presented below.

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

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

In the scope of hedge accounting, the Group has decided to continue the existing measurement and classification methods.

According to IFRS 9, which introduces an approach to estimating impairment of financial assets based on the impairment model. This model is based on the calculation of expected losses. To estimate the expected credit losses in relation to trade receivables, the Group used a simplified method permitted by IFRS 9. For the purposes of estimating the expected credit loss, the Group uses a provision ratio, which takes into account historical data.

Taking into account the above calculation methodology for expected credit losses, the value of receivables may also be updated individually in case if in the individual assessment of the Management Board the risk of non-recoverability is significant, in particular in relation to:

- receivables from contractors put in liquidation or bankruptcy
- debts questioned by debtors, and such when the debtor is in arrears, and according to the assessment of the debtor's property and financial situation, the repayment of the contractual receivable is fraught with significant risk.

As a result of individual analysis, in case when despite significant overdue of receivables, the 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 Group measures financial assets measured at fair value through the profit or loss, including derivatives being assets and available-for-sale financial assets, without reduction by the transaction costs which can be incurred in relation 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 Group, 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 the profit or loss is recognized in the 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. 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 Group 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 liabilities at fair value

The Group 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 Group, 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 obligation is based on the current selling price for instruments quoted on the 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.

Measurement of other financial liabilities at amortized cost

The Group measures other financial liabilities according to amortized cost using the effective interest rate method.

Financial guarantee contracts i.e. contracts that obligate the Group (issuer) to make specified payments to reimburse the holder for a loss it incurs because of not making payment by a specified debtor when due in accordance with the original or modified terms of a debt instrument, and not classified as liabilities measured at fair value through profit or loss are measured at the higher of:

- the amount determined according to the principles of valuation of reserves,
- initial value less, when appropriate, accumulated depreciation allowances.

Impairment of financial assets

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

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

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. In some of the Group's companies, there are jubilee payments paid out at five-years intervals after reaching the required length of employment by employees. These bonuses are other long-term benefits and the expenses related to them are also spread over time from the moment of employment until the required number of years of work reached. 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 Other comprehensive income if relate to post-employment benefits (severance payments) and recognized in profit and loss if they relate to other non-current benefits (jubilee 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 (e.g. 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 assembly of electrical installations, design and engineering services, rental of office space and supplies. 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.

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.

Functional currency and presentation currency of financial statements

Consolidated financial statements is presented in thousands of Polish Zlotys (‘zloty’ or ‘PLN’) which is the functional currency of thr Parent Entity 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.

9. Explanatory notes to consolidated financial statements as at and for the year ended 31 December 2021

Note 1 – Property, Plant and Equipment

	31 December 2021	31 December 2020
Property, plant and equipment, including:	15 757	17 165
- land	1 924	2 148
- buildings, premises and civil engineering objects	10 966	12 168
- machinery and equipment	866	872
- vehicles	1 413	1 219
- other PPE	588	758
Construction under progress	-	25
Total property, plant and equipment	**15 757**	**17 190**

Property, plant and equipment – ownership structure	**31 December 2021**	**31 December 2020**
a) own	4 981	14 772
b) used under rental, lease or other agreement, including :	10 776	2 418
- lease	9 484	902
- value of the right of perpetual usufruct	1 292	1 516
Total property, plant and equipment	**15 757**	**17 190**

The Group, pursuant to an agreement dated 23 July 2004 leases property consisting of 3 buildings with an area of 6 227.5 m^2, on a plot of 3 311 m2 located in Warsaw at Emilia Plater 18 and Hoża 76/78. The duration of the contract from the date of its conclusion is 30 years.
Land, buildings and constructions are carried at revalued amount, being its fair value at the date of the revaluation, set by experts, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value as at 31 December 2021 was set based on valuation made by the independent valuators not associated with the Group. The valuators have the right qualifications to carry out valuations of land, buildings and structures, as well as the current experience in such valuations, which are carried out in locations where there are assets of the Group.

Methods of valuation and key unobservable data are presented in the table below.

Method of valuation	**Key unobservable input data**	**Relation between key unobservable input data and fair value**
The comparative approach using the method of the adjusted average price: The model is based on determining of the average transaction price for 1 m^2 of the area on the basis of the representative sample of the transaction concluded. The average price was corrected for weights of the market features: the attractiveness of the location and the neighbourhood, area and shape of the plot, destiny, legal status of a land, access to the plot..	• The average transaction price per 1 m^2. • Attractiveness of the location and neighbourhood. • Area and shape of the plot. • Designation. • Legal status. • Access to the plot.	The estimated fair value of real estate would be increased (or would be reduced) if: • the average transaction price per m^2 was higher (lower)
Discounted cash flows: The model of measurement is based on the presented value of future net cash flows that will be generated from the real estate taking into account: the level of leased space. The expected net cash flows are discounted with discount rates taking into account the risk. Other factors considered in the adopted average rent per square meter are: attractiveness of the location, technical	• Level of space lease : reflecting the status of the currently leased space. • Adjusted for the risk of discount rate: 6.646%-6.896%, 6.98%.	The estimated fair value of real estate would be increased (or would be reduced) if: • Level of leased space was higher (was lower); • Discount rates adjusted for the risk were lower (were higher).

condition of building, the standard and the functionality of the building, the possibilities of the access, and parking spaces.		

There has been no change in the valuation techniques during the year.

Details concerning land, buildings and constructions, as well as information about the hierarchy of fair values as at 31 December 2021.

Group	Fair value as at 31 December 2021 (in PLN thousands)	Fair value as at 31 December 2020 (in PLN thousands)
	Level 3	Level 3
Land, including the right of perpetual usufruct	1 924	2 148
Buildings and constructions	10 966	12 168
Total	**12 890**	**14 316**

Property, plant and equipment covered by the mortgage, hedging the repayment loans, was described in Note 18.

Change in PPE – 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	**2 551**	**21 807**	**4 920**	**3 124**	**3 926**	**25**	**36 353**
Increase (due to)	-	22	490	771	117	-	1 400
- acquisition of non-current assets	-	22	490	771	117	-	1 400
Decrease (due to)	-194	-402	-69	-451	-177	-25	-1 318
- disposal of non-current assets	-	-	-3	-465	-17	-	-485
- liquidation of non-current assets	-	-	-81	-	-72	-	-153
- reclassification to assets	-194	-543	-	-	-	-	-737
- reversal of elimination of unpaid non-current assets in subsidiary	-	141	-10	14	-88	-	57
- changes	-	-	25	-	-	-25	-
As at 31 December 2021	**2 357**	**21 427**	**5 341**	**3 444**	**3 866**	**0**	**36 435**
Depreciation and impairment							
As at 1 January 2021 – accumulated depreciation	**403**	**9 639**	**4 048**	**1 905**	**3 168**	**-**	**19 163**
Depreciation for the period (under)	30	822	427	126	110	-	1 515
- increase (depreciation accrued)	30	823	513	510	192	-	2 068
- decrease under disposal of non-current assets	-	-	-3	-385	-14	-	-402
- decrease under liquidation of non-current assets	-	-	-81	-	-72	-	-153
- changes	-	-1	-2	1	4	-	2
As at 31 December 2021 - accumulated depreciation	**433**	**10 461**	**4 475**	**2 031**	**3 278**	**-**	**20 678**
Impairment of PPE	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Net value of PPE as at 31 December 2021	**1 924**	**10 966**	**866**	**1 413**	**588**	**-**	**15 757**

Comparative data

Change in PPE – in 2020

	- land, including the right of perpetual usufruct of land	- buildings, premises and civil engineering objects	- machinery and equipment	- vehicles	- other PPE	- construction under progress	Total PPE
Gross value							
As at 1 January 2020	**2 397**	**21 798**	**4 459**	**2 976**	**3 783**	**25**	**35 438**
Increase (under)	330	537	493	437	178	2	1 977
- acquisition of PPE	-	-	493	437	178	2	1 110
- reclassification to non-current assets	330	537	-	-	-	-	867
Decrease (under)	-176	-528	-32	-289	-35	-2	-1 062
- disposal of PPE	-	-	-7	-289	-	-	-296
- liquidation of PPE	-	-	-28	-	-31	-	-59
- reclassification to assets	-176	-528	-	-	-	-2	-706
- changes	-	-	3	-	-4	-	-1
As at 31 December 2020	**2 551**	**21 807**	**4 920**	**3 124**	**3 926**	**25**	**36 353**
Depreciation and impairment							
As at 1 January 2020 – accumulated depreciation	**377**	**8 915**	**3 735**	**1 642**	**2 937**	**-**	**17 606**
Depreciation for the period (under)	26	724	313	263	231	-	1 557
- increase (depreciation accrued)	26	822	342	518	256	-	1 964
- decrease under disposal of non-current assets	-	-	-6	-254	-	-	-260
- decrease under liquidation of non-current assets	-	-	-23	-	-30	-	-53
- reclassification to assets	-	-100	-	-	-	-	-100
- changes	-	2	-	-1	5	-	6
As at 31 December 2020 - depreciation accumulated	**403**	**9 639**	**4 048**	**1 905**	**3 168**	**-**	**19 163**
Impairment of non-current assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net value of non current assets as at 31 December 2020	**2 148**	**12 168**	**872**	**1 219**	**758**	**25**	**17 190**

Note 2 – Intangible Assets

	31 December 2021	31 December 2020
Acquired concessions, patents, licenses and similar assets including computer software	89	76
Total intangible assets	**89**	**76**
Intangible assets – ownership structure		
own	89	76
Total intangible assets	**89**	**76**

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	**3 145**	**3 145**
Increase (under)	80	80
- acquisition of non-current assets	80	80
Decrease (under)	-5	-5
- liquidation	-5	-5
As at 31 December 2021	**3 220**	**3 220**
Amortization and impairment		
As at 1 January 2021 – amortization accumulated	**3 069**	**3 069**
Amortization for the period (under)	62	62
- increase (amortization accrued)	65	65
- decrease under liquidation	-3	-3
As at 31 December 2021 - accumulated amortization	**3 131**	**3 131**
Net intangible assets as at 31 December 2021	**89**	**89**

Comparative data

	Acquired concessions, patents, licenses and similar assets including computer software	Total intangible assets
Gross value		
As at 1 January 2020	**3 405**	**3 405**
Increase (under)	27	27
- acquisition of non-current assets	27	27
Decrease (under)	-287	-287
- disposal	-3	-3
- liquidation	-284	-284
As at 31 December 2020	**3 145**	**3 145**
Amortization and impairment		
As at 1 January 2020 – accumulated amortization	**3 275**	**3 275**
Amortization for the period (under)	-206	-206
- increase (amortization accrued)	78	78
- decrease due to disposal	-1	-1
- decrease due to liquidation	-28	-283
As at 31 December 2020 - accumulated amortization	**3 069**	**3 069**
Net intangible assets as at 31 December 2020	**76**	**76**

Note 3 –Investment Property

	31 December 2021	31December 2020
Buildings and construction	8 216	7 672
Value of the land	2 382	2 189
Total investment property	**10 598**	**9 861**

Investment property by titles	**Change in investment property for the period from 1January 2021 to 31December 2021**	**Change in investment property for the period from 1January 2020 to 31December 2020**
Investment property - land		
As at opening balance sheet:	2 189	1 764
- decrease, including sale	-	-
- decrease under reclassification – assets held-for-sale	193	176
- increase under valuation at fair value	-	249
As at closing balance sheet	2 382	2 189
Investment property - buildings and constructions		
As at opening balance sheet:	7 672	6 546
- change due to:		
a) decrease under disposal	-	-
b) increase under measurement at fair value	-	598
c) increase under reclassification – assets held-for-sale	544	528
Total change	544	1 126
As at closing balance sheet	8 216	7 672
Write-down of investment property	-	-
Total investment property	**10 598**	**9 861**

Fair value as at 31 December 2021 was determined based on a valuation prepared by independent appraisers, not related to the Group. Appraisers have the appropriate qualifications to conduct valuations of investment properties, as well as current experience in such valuations made at locations where the Group's assets are located.

As at 31 December 2021 this value was confirmed by independent appraisers. Valuation methods and key unobservable data are presented in the table below:

Method of valuation	**Key unobservable input data for comparable properties**	**Relation between key unobservable input data and fair value**
The comparative approach using the method of the adjusted average price: The model is based on determining of the average transaction price for 1 m^2 of the area on the basis of the representative sample of the transaction concluded. The average price was corrected for weights of the market features: the attractiveness of the location and the neighbourhood, area and shape of the plot, destiny, legal status of a land, access to the plot.	• The average transaction price per 1 m^2 for comparable properties • Attractiveness of the location and neighbourhood. • Area and shape of the plot. • Designation. • Legal status. • Access to the plot.	The estimated fair value of real estate would be increased (or would be reduced) if: • the average transaction price per m^2 was higher (lower)
Discounted cash flows: The valuation model is based on the present value of the future net cash flows that will be generated from the property, taking into account: the level of space leased, rent-free periods, The expected net cash flows are discounted with discount rates taking into account the risk. Other factors considered in the adopted average rent per square meter are: attractiveness of the location, technical condition of building, the	• Level of space lease: reflecting the status of the currently leased space • Adjusted for the risk of discount rate: 6.646%-6.896%, 7% -7.5%.	The estimated fair value of real estate would be increased (or would be reduced) if: • Level of leased space was higher (was lower); • Discount rates adjusted for the risk were lower (were higher);

standard and the functionality of the building, the possibilities of the access, and parking spaces.		

There has been no change in the valuation technique during the year.

Details concerning investment property, as well as information about the hierarchy of fair values as at 31 December 2021.

Group	**Fair value (in PLN thousands)**	
	31 December 2021	**31 December 2020**
	Level 3	Level 3
Land, including the right of perpetual usufruct	2 382	2 189
Buildings and constructions	8 216	7 672
Total	**10 598**	**9 861**

There were no displacements between levels 1, 2 and 3 during a year.

Note 4 – Right-of-use Assets

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

Note 5 - Shares

Shares	**31 December 2021**	**31 December 2020**
In other entities	830	830
Shares, net value	830	830
Write-downs of shares	6	6
Shares, net value	**836**	**836**

Change in shares	31 December 2021	31 December 2020
a) as at the beginning of the period	830	830
b) as at the end of the period	830	830

Shares in other entities as at 31.12.2021

Description	Number of shares	Share in capital (%)	Carrying value of shares held (in PLN thousands)
Kostrzyńsko Słubicka Specjalna Strefa Ekonomiczna	8 250	3.04	825
CeMat'70 S.A.	39	0.04	5

Note 6 - Shares in Entities Valued Using the Equity Method

Shares in jointly-controlled entities and in associated entities	31 December 2021	31 December 2020
- Shares – net value	39 139	33 907
- write-downs of shares	1 011	1 011
Shares, gross value	**40 150**	**34 918**

Change in shares in jointly-controlled entities and in associated entities	31 December 2021	31 December 2020
a) as at the beginning of the period	33 907	31 499
- shares at cost	33 907	31 499
b) increase (due to)	5 232	2 408
- share in the current year result	5 232	2 408
c) as at the end of the period, net	39 139	33 907
d) write-downs	1 011	1 011
e) as at the end of the period gross	**40 150**	**34 918**

Change in write-downs of shares in jointly-controlled entities and associated entities	31 December 2021	31 December 2020
As at the beginning of the period	1 011	1 011
- decrease – use of provisions	-	-
As at the end of the period	**1 011**	**1 011**

Irydion Sp. z o. o. is the only joint contractual arrangement (jointly-controlled entity), in which the Group participates. It is a company with an aim to build an office building under the name of „Astrum Biznes Park” in Warsaw. The Company is not quoted. The Group has classified its interest in Irydion as a joint venture. The Group exercises joint control along with the shareholder LFI 1 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych seated in Wrocław, 50% shares for each partner. Each partner has two representatives in the Supervisory Board.

Under the contract for the sale of shares in Atutor Integracja Cyfrowa Sp. z o. o. with its registered office in Warsaw on September 17, 2019, a subsidiary company, Prochem Inwestycje Sp. z o. o. with its seat in Warsaw was to sell the second block of shares comprising 178 shares. Pursuant to the agreement, the sale date is set to April 30, 2020, and the ownership of the shares is transferred to the buyer on the date of payment. Due to the epidemiological situation, the second block of shares was not sold.

Shares in subsidiaries covered by full consolidation - as at 31 December 2021

Item No.	a	b	c	d	e	f	g	h	i	j	K
	Name of the company and its legal form	Registered office	Scope of company's activities	Type of relationship (subsidiary, jointly-controlled, associated, details of direct and indirect relationship)	Consolidation method applied/valuation using the equity method, or an indication that the entity is not subject to consolidation/ valuation using the equity method	Date of obtaining control / jointly / a significant influence	Value of shares at cost	Total revaluation adjustments	Carrying value of shares	Percentage of share capital held (directly and indirectly)	Participation in the total number of votes at the general meeting (directly and indirectly)
1	PROCHEM INWESTYCJE Sp. z o. o.	Warsaw	Consultancy on business and management	subsidiary	full	22.06.1992	2 999	-	2 999	100.0%	100.0%
2	PKI.PREDOM Sp. z o.o.	Wrocław	Construction designing, urban planning, process engineering	Indirect subsidiary (company Prochem Inwestycje sp. z o. o. holds 75% of capital)	full	19.07.2002	764	-	764	81.7%	72.3%
3	PRO-INHUT Sp. z o.o.	Dąbrowa Górnicza	Construction designing, urban planning, process engineering	Indirect subsidiary(company Prochem Inwestycje sp. z o. o. holds 93.2% of shares)	full	04.10.2001	63	63	-	93.2%	93.2%
4	PROCHEM ZACHÓD Sp. z o.o.	Warsaw	Marketing activities, construction work and design services, commercial activity and forwarding	subsidiary	full	18.03.1998	1 061	-	1 061	80.0%	80.0%
5	ELEKTROMONTAŻ KRAKÓW S.A.*)	Kraków	Assembly of electrical installations and equipment	Indirect subsidiary (company Prochem Inwestycje Sp. z o.o. holds 65.5% of shares)	full	10.12.2001	6 880	-	6 880	91.7%	91,7%..
6	ATUTOR INTEGRACJA CYFROWA Sp. z o.o.	Warsaw	Production and sale of computer software, computer system integration, IT service	Indirect subsidiary (Prochem Inwestycje holds 87.3%)	full	28.09.2000	176	-	176	50.14%	50.14%
7	PROCHEM RPI S.A.	Warsaw	Developer's activity	subsidiary (Prochem Inwestycje Sp. z o.o. holds 3.33% shares)	full	08.04.1998	513	359	154	100,0%	100,0%
8	Elmont Pomiary Sp. z o.o.	Kraków	Developer's activity	Indirect subsidiary (Elektromontaż Kraków S.A. holds 100% shares)	full	20.04.2004	190	-	190	77.6.0%	77.6%

9	PREDOM PROJEKTOWANIE sp. z o.o.**)	Wrocław	Design services	Indirect subsidiary (PKI Predom Sp. z o.o.)	Not subject to consolidation	01.05.2002	53	53	-	81.0%	69.3%

**** share in capital and voting rights is presented upon completion of redemption procedure of shares-bought back by Elektromontaż Kraków S.A. for redemption***
***** the company has not commenced activities***

Shares in subsidiaries – continuation

	a	b							c			d			e	F
Item No	Name of the company	equity, including:							Entity's liabilities and provisions to liabilities, including:			Entity's trade and other liabilities, including:			Total entity's assets	Total sales revenue
			Share capital	Own shares (negative value)	revaluation reserve	Retained earnings, including:	profit (loss) brought forward	Net profit (loss)		non-current	current		non-current	current		
1	PROCHEM INWESTYCJE Sp. z o. o.	7 846	3 000	-	-	4 846	-	529	20 119	19 001	1 118	184	-	184	27 965	3 866
2	PKI.PREDOM Sp. z o.o.	8 500	600	-	5 076	2 824	-	13	3 919	2 248	1 671	762	-	762	12 419	3 775
3	PRO-INHUT Sp. z o .o.	308	53	-	-	255	-	-233	3 744	14	3 730	1 331	-	1 331	4 052	-
4	PROCHEM ZACHÓD Sp. z o.o.	1 978	1 600	-	-	378	-	23	2	2	-	-	-	3	1 980	-
5	ELEKTROMONTAŻ KRAKÓW S.A.*)	16 878	1 208	-480	3 188	12 962	-	1 269	25 756	3 851	21 905	21 289	5	21 284	52 714	57 140
8	ATUTOR Sp. z o.o.	317	355	-	-	-38	-128	34	518	-	518	148	-	148	835	2 752
9	PROCHEM RPI Sp. z o.o.	113	600	-	-	-487	-481	-6	2	-	2	-	-	2	115	-
10	Elmont Pomiary Sp. z o.o.		Company covered by consolidation by Elektromontaż Kraków S.A. - company's financial data included in financial statements of Elektromontaż Kraków S.A.													
11	PREDOM PROJEKTOWANIE Sp. z o.o.		Not subject to consolidation													

**** share in capital and voting rights is presented upon completion of redemption procedure of shares-bought back by Elektromontaż Kraków S.A. for redemption***

Shares in entities valued using the equity method as at 31 December 2021

Item No	a	b	c	d	e	f	g	h	i	j	k
	Name of the company and its legal form	registered office	Scope of the company's activities	Type of relationship (subsidiary, jointly-controlled, associated withy the detailing of direct and indirect relationship)	Consolidation method applied	Date of including control / joint control / of obtaining significant influence	Value of shares at cost	Revaluation adjustments total	carrying value of shares	percentage of share capital held	Share in total number of votes at the general meeting
1	ITEL Sp. z o.o.	Gdynia	Other electrical installations	associated	Equity method	13.09.2005	708	708	-	42.0%	42.0%
2	IRYDION Sp. z o.o.	Warsaw	Rental of real estate on its own account	jointly-controlled	Equity method (change of the status of a subsidiary to a jointly-controlled company on 3 April 2013)	24.03.2000	4 503	-	4 503	50.0%	50.0%

Shares in entities valued using the equity method – continuation

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

Note 7 - Settlement of Deferred Income Tax

- deferred tax assets

Change in deferred tax assets	31 December 2021	31 December 2020
1. Deferred tax assets as at the beginning of the period, recognized in financial result	**5 896**	**7 977**
a) recognized in financial result	**5 790**	**7 885**
- provisions for costs	241	221
- write-down of receivables	7	307
- unpaid remuneration under contracts of mandate and specific task contracts	33	38
- deferred income	1 019	692
- interest on loans	252	377
- provision for retirement benefit	396	360
- provision for holiday benefits	328	283
- unpaid employee benefits	88	5
- tax loss	143	1 545
- write-down of inventories	-	106
- discounted cash flows expenses	78	87
- deferred tax on write-downs of financial assets	-	5
- surplus of costs incurred above margin	3 066	3 745
- other, including exchange differences	139	114
b) recognized in equity	**106**	**92**
- provision for retirement benefit	106	92
2. Increase	**4 236**	**4 682**
a) recognized in financial result	**4 216**	**4 668**
- provision to costs	948	217
- write-down of receivables	4	2
- unpaid remuneration under contracts of mandate and specific task contracts	29	33
- deferred income	1 100	980
- interest on loans	4	11
- provision for retirement benefit	34	44
- provision for holiday benefits	71	91
- unpaid employee benefits	101	91
- tax loss	-	53
- discounted cash flows expenses	-	35
- surplus of costs incurred above margin	1 883	3 068
- other, other including exchange differences	42	43
b) recognized in equity due to negative temporary differences	**20**	**14**
- provision for retirement benefit	20	14
3. Decrease	**4 939**	**6 763**
a) recognized in financial result	**4 939**	**6 763**
- provisions to costs	222	197
- write-down of receivables	-	302
- paid remuneration under contracts of mandate and specific task contracts	33	38
- deferred income	988	653
- interest on loans	256	136
- provision for retirement benefit	31	8

- provision for holiday benefits	59	46
- unpaid employee benefits	184	8
- tax loss	16	1 455
- write-down of inventories	-	106
- discounted cash flows expenses	78	44
- deferred tax on write-downs of financial assets	-	5
- surplus of costs incurred above margin	3 066	3 747
- other, including exchange differences	6	18
b) recognized in equity due to negative temporary differences	**-**	**-**
- provision for retirement benefit	-	-
4. Total deferred tax assets at the end of period, including:	**5 193**	**5 896**
a) recognized in financial result	**5 067**	**5 790**
- provision to costs	967	241
- write-down of receivables	11	7
- unpaid remuneration under contracts of mandate and specific task contracts	29	33
- deferred income	1 131	1 019
- interest on loans	-	252
- provision for retirement benefit	399	396
- provision for holiday benefits	340	328
- unpaid employee benefits	5	88
- tax loss	127	143
- discounted cash flows expenses	-	78
- surplus of costs incurred above margin	1 883	3 066
- other, including exchange differences	175	139
b) recognized in equity due to negative temporary differences	**126**	**106**
- provision for retirement benefit	126	106

- provision under deferred income tax

Change in provision for deferred income tax	31 December 2021	31 December 2020
1. Provisions for deferred income tax as at the beginning of the period, including:	**6 871**	**9 227**
a) recognized in financial result	**5 366**	**7 629**
- interest accrued on loan	216	601
- updating of non-current financial assets	173	173
- accrued income from uncompleted service	2 471	4 826
- updating of non-financial investments	1 327	861
- surplus of the balance sheet depreciation over tax depreciation	1 003	943
- income under discounted liabilities	103	173
- other	73	52
b) recognized in equity	**1 505**	**1 598**
- income under discounted liabilities	1 505	1 598
2. Increase	**3 160**	**3 466**
a) recognized in financial result of the period under positive temporary differences	**3 160**	**3 466**
- interest accrued on loan	163	23
- accrued income from uncompleted service	2 621	2 537

- updating of non-financial investments	-	658
- surplus of the balance sheet depreciation over tax depreciation	91	92
- income under discounted liabilities	278	132
- other	7	24
b) recognized in equity	**-**	**-**
- remeasurement of PPE at fair value	-	-
3. Decrease	**3 441**	**5 822**
a) recognized in financial result of the period under positive temporary differences	**3 441**	**5 729**
- interest on loan paid	257	408
- updating of non-current financial assets	37	-
- accrued income from uncompleted service	2 945	4 892
- use of updating of non-financial investments	4	192
- surplus of the balance sheet depreciation over tax depreciation	-	32
- income under discounted liabilities	137	202
- other	61	3
b) recognized in equity	**-**	**93**
- remeasurement of PPE at fair value	-	93
4. Total provision under deferred income tax at the end of period	**6 590**	**6 871**
a) recognized in financial result	**5 085**	**5 366**
- interest accrued on loan	122	216
- updating of non-current financial assets	136	173
- accrued income from uncompleted service	2 147	2 471
- updating of non-financial investments	1 323	1 327
- surplus of the balance sheet depreciation over tax depreciation	1 094	1 003
- income under discounted liabilities	244	103
- other	19	73
b) recognized in equity	**1 505**	**1 505**
- remeasurement of PPE at fair value	1 505	1 505

	31 December 2021	**31 December 2020**
Deferred tax assets	5 193	5 896
Provision to deferred tax	- 6 590	-6 871
Assets/(Provisions) to deferred income tax	**-1 397**	**-975**

Presentation in the statement of financial position:

	31 December 2021	**31 December 2020**
Deferred tax assets	1 362	1 484
Provision to deferred tax	-2 759	-2 459
Assets/(Provisions) to deferred income tax	**-1 397**	**-975**

Note 8 –Other Non-current Financial Assets

Other financial assets	**31 December 2021**	**31 December 2020**
a) from jointly-controlled entities :	17 000	17 083
- loans granted	17 000	17 083
b) other financial assets – security deposits securing the bank guarantee granted	-	-
Total other non-current financial assets	**17 000**	**17 083**

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, Interest is set annually according to WIBOR 3M rate plus 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. Interest is set annually at rate of 3% per year, repayment date of the loan with interest 22 September 2031;

Increase:

- Accrued interest on loans to jointly-controlled company Irydion Sp. z o.o. in the amount of PLN 457 thousand,

Decrease:

- Repayment of accrued interest on loans grantede to jointly-controlled company Irydion Sp. z o.o. in the amount of PLN 540 thousand,

Loans granted - as at 31 December 2020

- Loans granted jointly-controlled company Irydion Sp. z o.o. seated in Warsaw:
  - in the amount of PLN 11 083 thousand, including: amount of the loan PLN 11 000 thousand, accrued interest PLN 83 thousand. Interest is set annually according to WIBOR 6M rate, trepayment 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. Interest is set annually at 3% rate, repayment date of the loan with interest 22 September 2031 ;

Note 9– Inventories

Inventories	**31 December 2021**	**31 December 2020**
Materials	7 578	4 315
Semi-finished goods and work-in-process	443	743
Goods	358	281
Total inventories	**8 379**	**5 339**
Write-down of inventories	557	557

Note 10 – Trade and Other Receivables

Trade and other receivables	**31 December 2021**	**31 December 2020**
Trade receivables	89 994	76 938
Write-down of trade receivables	4 261	4 319
Trade receivables net, including	**85 733**	**72 619**
- with repayment period up to 12 months	81 093	66 681
- with repayment period more than 12 months	4 640	5 938
Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits	**105**	**1 132**
Other receivables	1 450	1 348
Write-down of other receivables	-	-
Other receivables net	**1 450**	**1 348**
Total receivables	**87 288**	**75 099**

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

Change in write-down of trade and other receivables	31 December 2021	31 December 2020
As at the beginning of the period	**4 319**	**5 219**
a) increase (under)	23	156
- provision to receivables	23	156
b) decrease (due to)	81	1 056
- payment received	65	495
- the use of write-downs created in the previous periods	16	561
Write-downs of current trade and other receivables at the end of the period	**4 261**	**4 319**

In the majority of contracts signed by the Group, time of payment for services was determined in the range from 14 to 60 days. As at 31 December 2021 and as at 31 December 2020 trade receivables include the security deposits under statutory warranty for construction and assembly works respectively in the amount of PLN 5 977 thousand and PLN 15 395 thousand.

Trade receivables with time of repayment remaining from the balance sheet date:	31 December 2021	31 December 2020
a) up to 1 month	50 954	33 092
b) above 1 month to 3 months	24 724	21 378
c) above 3 months to 6 months	999	56
d) above 6 month to 1 year	5 217	15 362
e) above 1 year	3 036	313
f) receivables overdue	5 064	6 737
Total receivables from supplies and services (gross)	**89 994**	**76 938**
g) write-downs of receivables from supplies and services	4 261	4 319
Total receivables from supplies and services (net)	**85 733**	**72 619**

Age analysis of past due trade receivables (gross)	31 December 2021	31 December 2020
a) up to 1 month	541	85
b) above 1 month to 3 months	79	1 369
c) above 3 months to 6 months	43	53
d) above 6 month to 1 year	140	779
e) above 1 year	4 261	4 451
Total past due receivables from supplies and services (gross)	**5 064**	**6 737**
f) write-downs of past due receivables from supplies and services	4 261	4 319
Total past due receivables from supplies and services (net)	**803**	**2 418**

Note 11 – Other Financial Assets

Other financial assets by type :	**31 December 2021**	**31 December 2020**
a) other financial assets - security deposits constituting security for guarantees provided by the bank	8 658	9 651
b) other	-	18
Total other financial assets	**8 658**	**9 669**

Note 12 – Other Assets

Other assets by type :	**31 December 2021**	**31 December 2020**
a) prepayments	998	879
- cost of property and personal insurance	232	232
- software maintenance costs	653	556
- subscription	4	2
- deferred costs	17	5
- other	92	84
Total other assets	**998**	**879**

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

Note 13 – Share Capital

SHARE CAPITAL (THE STRUCTURE)							
Series / emission	Type of share	Type of shares preference	Number of shares	Series / emission at nominal value	Method of coverage of capital	Registration date	Right to dividend (from the date)
Founding	inscribed	3 votes per 1 share	580	580	cash	23-07-1991	01-10-1991
Founding	inscribed	-	6 816	6 816	cash	23-07-1991	01-10-1991
Founding	bearer	-	1 810 104	1 810 104	cash	23-07-1991	01-10-1991
B	inscribed	-	750	750	cash	29-07-1993	01-01-1993
B	bearer	-	681 750	681 750	cash	29-07-1993	01-01-1993
C	bearer	-	435 000	435 000	cash	20-04-1994	01-01-1994
Total number of shares			**2 935 000**				
Total share capital				**2 935 000**			
Nominal value of one share = PLN 1.00							

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

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

Change of rights from the issuer's securities

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

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

Change of rights from shares of Prochem S.A. in 2021.

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

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

Note 14 – Revaluation Reserve

	31 December 2021	31 December 2020
As at opening balance sheet	7 043	6 928
Disposal of real estate in subsidiary	-	-69
Actuarial losses on valuation of provisions for employee benefits	-105	-54
Updating of non-current assets	-742	238
Other changes	317	-
As at closing balance sheet	**6 513**	**7 043**

Nota 15 - Retained earnings

	31 December 2021	31 December 2020
Spare capital	54 590	62 697
Other capital reserve	30 310	19 550
Profit for the previous period	-773	-465
Profit for the period	6 143	13 863
Total	**90 270**	**95 645**

Note 16 – Provision for Retirement and Similar Benefits

The Group 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. In some of the Group's companies there are jubilee bonuses paid every five years after the employees have achieved the required length of service. These gratuities are other long-term benefits and the related expenses are also spread over time from the moment of employment until the required number of years of service is reached. 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 historical data of the Companies, 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.

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 companies of the Prochem Group do not create provisions for death benefits, costs are recognized when the benefit becomes due.

The current burdens of the Group 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 and in profit and loss as other operating income / costs, if they relate to other long-term benefits (jubilee awards),
- 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.

Long-term employee benefits for which provisions are created include retirement and disability benefits paid upon termination of employment in connection with the employee's retirement or disability pension, and jubilee bonuses paid every 5 years when the employee reaches the required number of years of service. The rules for granting severance pay and awards depend on the individual Remuneration Regulations in force in individual Group companies.

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

Below are the average values of the ratios determined on the basis of detailed actuarial assumptions, which were adopted individually for each Company to calculate the provisions for December 31, 2021:

- weighted average turnover ratio: overall 6.74%-9.64%, including for traineeship > 3 years 4.83% - 6.01%, depending on the Company
- weighted average probability of death: 0.003532 – 0.008802 depending on the Company (based on the tables of the Central Statistical Office GUS PTTŻ 2020 which were reduced to 40% equally for all companies)
- weighted average probability of total disability: 0.001056 – 0.003122 depending on the Company (ratio based on ZUS/Social Insurance Office case law for the years tables based on the ZUS judgments for 2016-2020, personalized for each company separately)
- average annual growth of benefit bases : 2.20% - 5.43% depending on the length of obligations, type of benefit and the Company
- the interest rate used for discounting depends on the total length of liabilities due to the assessed benefits, calculated for each Company separately on the basis of an extrapolated yield curve determined based on the profitability of Polish bonds as of 31-12-2021: 3.55% - 3.56% depending on the Company.

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

- weighted average turnover ratio: overall 7.98%-10.28%, including for traineeship > 3 years 4.73% - 7.31%
- weighted average probability of death: 0.003320 – 0.006620
- weighted average probability of total disability: 0.001337 – 0.002897
- average annual growth of benefit bases 2.15% - 2.75%
- average interest rate used for discounting: 1.84% - 1.92%

Change in provisions for retirement and disability benefits and jubilee awards

Description	In 2021			In 2020
	benefits	awards	total	total
Opening balance sheet for provisions for benefit	1 166	1 259	**2 425**	**2 247**
Benefits paid during the period (-)	-176	-188	-364	-421
Interest cost	21	22	43	52
Current employment cost /current write-down/	73	104	177	142
Actuarial losses(gains)	127	135	262	373
Past employment cost	-3	0	-3	32
Effects of sale / purchase / merger of Companies	0	0	0	0
Closing balance for provisions for benefits	1 208	1 330	**2 540**	**2 425**
Including current provision	*91*	*136*	*227*	*359*
Including non-current provision	*1 117*	*1 196*	*2 313*	*2 066*

Breakdown of actuarial gains/losses

Description	In 2021				In 2020
	benefits	awards	total		total
Actuarial gains (losses) 'ex post'	17	68	85		174
Actuarial gains (losses)from the update of demographic assumptions	-21	33	12		-13
Actuarial gains (losses) from update of financial assumptions	131	34	165		212
Total actuarial gains (losses)	**127**	**136**	**262**		**373**

Burdens for the period due to retirement and disability benefits and jubilee awards

- recognized in profit or loss:

Description	In 2021				In 2020
	benefits	awards	total		total
Current employment cost /current write-down/	-73	-103	-176		-141
Interest cost	-21	-22	-43		-52
Actuarial gains (losses) under other non-current benefits	0	-135	-135		-250
Cost of past employment	3	0	3		-32
Total gain (loss)	-91	-260	**-3521**		**-475**

- Recognized in other comprehensive income:

Description	In 2021		2020
Actuarial gains (losses) under post-employment benefits	-127		-123

Maturity profile of retirement and disability pension gratuity

Period	Flows	Breakdown of provisions
2022	244	227
2023	240	215
2024	303	241
2025	199	155
2026	205	147
≥ 2027	7 054	1 553
Total	**8 245**	**2 538**
PV / duration	4 316	14.41 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.	Increase in provisions		Change in p.p.	Increase in provisions		Change in p.p.	Increase in provisions
-1.0%	249		-20%	154		-1.0%	-221
-0.5%	119		-10%	74		-0.5%	-114
0.0%	**0**		**0%**	**0**		**0.0%**	**0**
0.5%	-110		10%	-69		0.5%	126
1.0%	-212		20%	-133		1.0%	259

Note 17 – Other Non-current Liabilities

Other non-current liabilities	31 December 2021	31 December 2020
- capital unpaid	-	50
- security deposits retained	81	81
- other	62	12
Total non-current liabilities	**143**	**143**

Note18 – Current Bank Loans

	31 December 2021	31 December 2020
- loans	3 704	1 334

Information on bank loans contracted

Name of the bank	Registered office	Loan limit	Amount of engagement	Repayment date	Terms of interest	Security
By Prochem S.A.						
BNP Paribas	Warsaw	10 000	-	30.09.2022	WIBOR 1M + margin	Promissory note in blank
By Elektromontaż Kraków S.A.						
mBank S.A.	Warsaw	1 500	977	01.03.2023	WIBOR ON + margin	Mortgage + promissory note
ING BANK Śląski	Katowice	3 000	1 543	19.11.2022	WIBOR for 1-month deposits in PLN + margin	Mortgage + promissory note
By Atutor Integracja Cyfrowa sp. z o.o.						
Bank Millenium S.A.	Warsaw	150	-	Revolving loan in bank account from 02.08.2016	WIBOR 1m + margin	Granting the bank a power of attorney to collect and repay accounts and block funds in the event of failure to repay the loan on time

By Pro-Inhut sp. z o.o.

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

Note 19 – Liabilities under Loans Received

Liabilities under loans received		
- non-current	300	-
- current	400	-
Total loans received	**700**	-

On September 30, 2021, the subsidiary P.K.I. PREDOM Sp. z o. o. signed with the Polish Development Fund /Polski Fundusz Rozwoju S.A. a liquidity loan agreement for the amount of PLN 800 thousand under the Government Program "Financial Shield of the Polish Development Fund for Large Companies".
The loan was disbursed in one instalment upon submission of the application in accordance with the provisions of the loan agreement.
The purpose of the loan is to finance the current operations of the Company in accordance with the terms of the contract.

In 2021, P.K.I PREDOM Sp. z o. o. repaid PLN 100 thousand.

Note 20 – Trade Payables

	31 December 2021	31 December 2020
a) to associated entities and jointly-controlled entities	6	1
- from supplies and services, with maturity period:	6	1
- up to 12 months	6	1
b) to other entities	77 455	60 950
- from supplies and services, with maturity period:	77 455	60 950
- up to 12 months	77 455	60 447
- above 12 months	-	503
Total trade payables	**77 461**	**60 951**
Non-current liabilities under seized security deposits	9 020	14 291
Total trade payables	**86 481**	**75 242**

Note 21 – Amounts Owed to Recipients under Non-current Agreements

	31 December 2021	31 December 2020
- amounts due from recipients under agreements	14 996	13 163
Amounts due from recipients under non-current agreements	**14 996**	**13 163**

	31 December 2021	31 December 2020
- amounts owed to recipients under contracts	5 803	20 486
Amounts owed to recipients under non-current agreements	**5 803**	**20 486**

Specification	As at 31 December 2021	As at 31 December 2020
Revenues according to contracts	917 129	767 845
Revenues invoiced	726 216	570 103
Liabilities planned under execution of contracts	853 158	698 768
Realized contractual liabilities	690 397	543 668
Amounts due from recipients	14 996	13 163
Amounts owed to recipients	5 803	20 486

Note 22 – Other Liabilities

	31 December 2021	31 December 2020
a) to other entities	5 679	3 352
- under taxes, duties, insurance and other benefits	4 961	2 212
- under remuneration	452	10
- other (by type)	266	1 130
Liabilities to employees	24	438
Liabilities to shareholders	16	16
Liabilities under lease	28	-
other	198	676
b) other non-current provisions	6 726	5 149
- provisions for costs accrued to the previous year related to long-term contracts	3 716	1 675
- provision to costs	968	1 333
- cost of audit	48	62
- current provision to retirement benefits	227	359
- provision for unused holiday leaves	1767	1 720
Total other liabilities	**12 405**	**8 501**

Liabilities under lease

	Future minimum payments under lease	Interest	Current value	Future minimum payments under lease	Interest	Current value
In PLN thousands	**In 2021**	**In 2021**	**In 2021**	**In 2020**	**In 2020**	**In 2020**
Up to one year	468	33	501	492	0	492
1 to 5 years	649	23	672	406	0	406
total	**1 117**	**56**	**1 173**	**898**	**0**	**898**

Liabilities under the right of use

	Future minimum payments under lease	Interest	Current value	Future minimum payments under lease	Interest	Current value
In PLN thousands	**In 2021**	**In 2021**	**In 2021**	**In 2020**	**In 2020**	**In 2020**
Up to one year	4 455	701	5 156	4 570	855	5 425
1 to 5 years	12 440	1 703	14 143	16 254	2 048	18 302
above 5 years	8 648	1 130	9 778	6 416	1 327	7 743
total	**25 543**	**3 534**	**29 077**	**27 240**	**4 230**	**31 470**

Note 23 – Deferred Income

	31 December 2021	31 December 2020
- funding from PFR received	-	48
- advanced payments received	459	-
- other	324	324
Deferred income at the end of the period, including:	**819**	**372**
Non-current liabilities	**-**	**-**
Current liabilities	**819**	**372**

Note 24- Revenues from Sale of Services

Revenues from sale of services (type of service and type of activity)	In 2021	In 2020
- revenues from sale of services, including:	**245 768**	**348 991**
- from related entities	3 385	2 525

Revenues from sales (territorial structure)	In 2021	In 2020
Domestic market	245 759	348 259
- including from related entities	3 385	2 525
Exports	9	732

Revenues under contracts for construction services (general contracting) and other services are presented in Note 31. The gross amount due from ordering parties/buyers for the work under contracts was presented in Note 11.
Information on major customers, whose total value of revenues from sales of services exceeds 10% of total revenues of the Group for 2021 is included in Note 31.

Note 25 - Revenues from Sale of Goods and Materials

Revenues from sale of goods and materials (type of goods and materials and type of activity)	in 2021	in 2020
Goods and materials	**2 080**	**3 216**

Revenues from sale of goods and materials (territorial structure)	in 2021	in 2020
Domestic market	2 080	3 216

Note 26 – Cost of services sold

Costs by type	in 2021	in 2020
a) amortization and depreciation	6 759	6 311
b) consumption of material and energy	26 402	13 673
c) outsourcing	158 444	268 899
d) taxes and levies	238	266
e) remuneration	36 585	35 664
f) social security and other benefits	7 339	6 882
g) other costs by type (under)	3 448	3 188
- property and personal insurance	1 027	862
- business trips	970	902
- PFRON (State Fund for Rehabilitation of Disabled Persons)	477	448
- cars rental	293	285
- other	681	691
Total costs by type	**239 215**	**334 883**
Change in inventories, goods and prepayments	3 780	295
General and administrative expenses (negative value)	-14 899	-14 652
Cost of services sold	**228 096**	**320 526**

Note 27 - Other Operating Income

	In 2021	In 2020
a) gain on sale of non-financial non-current assets	44	333
b) reversal of impairment allowances (due to)	77	444
- for receivables	77	444
c) other, including:	2 667	2 497
- other, including	123	22
- other, including	1 593	1 013
- writing off past due liabilities	16	113
- revaluation income	737	1 274
- other	198	75
Total other operating income	**2 788**	**3 274**

Note 28 – Other Operating Expenses

	In 2021	In 2020
a) Loss on disposal of non-financial non-current assets	-	2
b) impairment allowance (under)	23	157
- receivables	23	157
c) other, including:	882	1 231
- litigation costs	82	235
- actuarial valuation of employee benefits	8	55
- paid damages, penalties and fines	683	628
- writing off bad debts	33	259
- impairment of PPE	-	3
- other	76	51
Total other operating expenses	**905**	**1 390**

Note 29 – Result of One-off Events

	In 2021	In 2020
Revenues from sale of real estate	-	4 600
Assets classified for sale	-	3 770
Dissolution of a deferred tax asset	-	-185
Result of event	**-**	**1 015**

Note 30 - Financial Income

	In 2021	In 2020
a) interest under loans granted	457	293
- from jointly-controlled entities	457	293
b) other interest	1	106
- from other entities	1	106
c) surplus of positive exchange rates	64	87
d) other, including:	1 296	361
- revenues under discounted non-current liabilities	1 289	215
- revenues from disposal of financial assets	0	66
- other	7	80
Total financial income	**1 818**	**847**

Note 31 – Finance Expenses

	In 2021	In 2020
a) interest under bank loans	64	37
b) other interest	1 020	1 164
- for other entities	25	73
- under lease	995	1 091
c) surplus of negative exchange rates	11	15
d) other, due to :	1 501	1 222
- other, due to	719	555
- other, due to	55	140
- costs under discount of financial assets	89	385
- costs under discounted non-current liabilities	589	-
- cost of sale of financial assets	-	60
- other costs	49	82
Total finance expenses	**2 596**	**2 438**

Note 32 – Income Tax

Deferred income tax disclosed in the statement of profit and loss	**In 2021**	**In 2020**
- decrease (increase) from arising and reversal of temporary differences	445	-312
Total deferred income tax	**445**	**-312**

Determining the effective tax rate

(in PLN thousands)	**In 2021**	**In 2020**
Tax rate	**19%**	**19%**
Profit for the period	6 280	14 008
Income tax	1 868	3 910
Before tax profit	8 148	17 918
Income tax at the applicable rate 19%	1 548	3 404
Revenues that are not tax revenues	-599	-42
Costs that are not tax deductible costs	792	415
other	127	133
Total income tax disclosed in the statement of profit and loss	**1 868**	**3 910**

Note 33 – Additional Disclosures to the Statement of Cash Flows

Operating activities include basic activity and turnover from other operating activity.
Investment activity include turnovers in the scope of investment in PPE, intangible assets, capital investments and securities held for trading.
Dividends received are disclosed in cash flows from investing activities. Loans granted and repaid together with accrued interest are disclosed in cash flows – investing activities.
Paid interest and commission under borrowings, loans and leases are recognized in cash flows - financial activity. Financial activity include also bank loans and borrowings granted and repaid.
Differences between the amounts established directly from the financial statements and disclosed in the

statement of cash flows, are resulting from a transfer of individual amounts from operating activity to investing activity and financing activity.
These relate to the following balance sheet items (in PLN thousands):

	In 2021	In 2020
Change in current receivables	**-13 489**	**11 757**
Receivables as at 1 January	75 099	77 980
Amounts due from recipients under contracts as at 1 January	13 163	22 851
Other assets as at 1 January	879	943
Receivables under retained security deposits as at 1 January	883	11
Opening balance sheet after adjustments	**90 024**	**101 785**
Receivables as at 31 December	87 288	75 103
Amounts due from recipients under agreements as at 31December	14 996	13 163
Other assets as at 31 December	998	879
Receivables under retained security deposits as at 31December	231	883
Closing balance sheet after adjustments	**103 513**	**90 028**

Change in current liabilities except for current borrowings and special funds	**2 332**	**-22 089**
Trade payables as at 1 January	60 951	69 161
Other liabilities as at 1January	8 501	42 598
Amounts owed to suppliers under contracts as at 1 January	20 486	8 538
Liabilities under retained security deposits as at 1 January	14 291	5 790
Provision for current retirement benefits	-359	-384
Provisions for annual leaves	-1 720	-1 485
Provision for audit	-62	-63
Provision for current other costs	-1 757	-1 550
Valuation of financial assets - forward	-	-20
Investment commitments as of January 1	-55	-28
Liabilities to shareholders	-15	-16
Opening balance sheet after adjustments	**100 261**	**122 541**
Trade payables as at 31 December	77 461	60 951
Amounts owed to recipients as at 31 December	5 803	20 486
Other liabilities as at 31 December	12 405	8 501
Liabilities under retained security deposits as at 31 December	9 020	14 291
Provision to current retirement benefits	-227	-359
Provision to annual leaves	-1 767	-1 720
Provision to audit	-48	-62
Provision to current other costs	-30	-1 564
Investment commitments as of 31 December	-8	-55
Liabilities to shareholders	-16	-17
Closing balance sheet after adjustments	**102 593**	**100 452**

Change in other adjustments as at balance sheet date	**1 392**	**83**
Change in deferred income – advances received	447	48
Other	945	35

Note 34– Operating Segments

Operating segment is a component part of the Group:

- that engages in business activity from which it can obtain income and incur expenses,
- whose operating results are regularly reviewed by the body responsible for making operating decisions of the Group,

- in case of which a separate financial information is available.

Revenues of the segment are revenues from sale to external customers.

Costs of the segment are the expenses composed of costs relating to the sale to external customers.

Segment result is determined on the level of operating income.

The activities of the companies from Capital Group and the Issuer, for the managing purposes were divided into the eleven basic operational sectors such as: execution (general contracting), design services and other engineering services (supervisions along with the project engineer service), lease of the construction equipment, assembly of electrical installations, lease of office space, commercial activity and other activity.
Segment assets include all assets used by a segment, consisting primarily of receivables, inventories and property, plant and equipment diminished by the value of provisions and impairment losses.
Some assets in the joint use are assigned to the segment based on reasonable weights.

In 2021 revenues from activities achieved by the Issuer outside Polish borders (Exports) and recognized in the consolidated statement of profit and loss amounted to PLN 9 thousand, which constitutes 0.01% of sales revenue. In the analogous period of the previous year such revenues amounted to PLN 732 thousand, which represented 0.2% of sales revenue.

Information on major customers, which share in the sales revenue recognized in consolidated profit and loss account for 2021 exceeded 10% of total revenues from sale:

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

- A client involved in the production of fertilizers – sales revenue PLN 129 612 thousand, which represents 52.30 % of sales revenue, which was shown in the segment „General contracting".

Detailed data on the activities of the companies from the Group in the individual segments are shown in the tables below.

Information about the geographical areas

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

	Note	In 2021	In 2020
Poland		245 759	348 259
Other countries		9	732
	22	**245 768**	**348 991**

Current data

For the period from 01.01.2021 to 31.12.2021	General contracting	Design services, other engineering services	Rental of construction equipment	Assembly of electrical installations	Rental of office space	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues to customers	158 352	30 780	587	47 404	4 454	2 080	2 588	1 387	-	247 848
Total segment revenues	**158 352**	**30 780**	**587**	**47 404**	**4 454**	**2 080**	**2 588**	**1 387**	**-**	**247 848**
Result										
Profit (loss)of the segment	**4 550**	**-2 500**	**-487**	**938**	**750**	**80**	**340**	**-817**	**-**	**2 854**
Financial income									1 818	1 818
Finance costs									-3 640	-3 640
Net financial revenues									-1 822	-1 822
Profit sharing in entities valued under the equity method									5 233	5 233
Profit (loss) on other operating activities									1 883	1 883
Before tax profit									8 148	**8 148**
Income tax									1 868	1 868
Profit for the current period									6 280	**6 280**
Loss assigned to non-controlling interest									137	**137**
Profit for the period assigned to shareholders of parent entity									6 143	**6 143**
Segment assets (related to activity)	64 144	9 974	405	21 401	9 700	-	-	41	-	105 665
Assets unallocated (among others shares and other financial assets)									138 912	138 912
Total assets	**64 144**	**9 974**	**405**	**21 401**	**9 700**	**-**	**-**	**41**	**138 912**	**244 577**
Liabilities of the segment (related to activity)	41 324	2 678	13	25 755	626	491	-	2	70 914	141 803
Equity of the owners of the parent entity									99 138	99 138
Non-controlling interest									3 636	3 636
Total liabilities and equity	**41 324**	**2 678**	**13**	**25 755**	**626**	**491**	**-**	**2**	**173 688**	**244 577**
Depreciation of property, plant and equipment	316	1 593	67	1 008	1 754	-	59	70	1 829	6 696
Amortization of intangible assets	-	4	-	18	-	-	-	-	41	63
Write-down of segment assets (receivables from supplies and services)	-	-52	-2 794	-1 397	-	-	-	-18	-	-4 261

Comparative data

For the period from 01.01.2020 to 31.12.2020	General contracting	Design services, other engineering services	Rental of construction equipment	Assembly of electrical installations	Rental of office space	Maintenance	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues to customers	285 709	33 783	741	21 932	4 582	204	3 216	465	1 424	151	352 207
Total segment revenues	**285 709**	**33 783**	**741**	**21 932**	**4 582**	**204**	**3 216**	**465**	**1 424**	**151**	**352 207**
Result											
Profit (loss)of the segment	**16 830**	**-3 464**	**-516**	**1 409**	**675**	**-7**	**329**	**-242**	**-749**	**-123**	**14 142**
Financial income											907
Finance costs										-2 438	-2 438
Net financial revenues											-1 531
Profit sharing in entities valued under the equity method										2 408	2 408
Profit (loss) on other operating activities										2 899	2 899
Before tax profit										17 918	**17 918**
Income tax										3 910	3 910
Profit for the current period										14 008	**14 008**
Loss assigned to non-controlling interest										145	**145**
Profit for the period assigned to shareholders of parent entity										13 863	**13 863**
Segment assets (related to activity)	70 377	7 875	291	10 431	23 251	-	144	263	204	-	112 836
Assets unallocated (among others shares and other financial assets)										138 629	138 629
Total assets	**70 377**	**7 875**	**291**	**10 431**	**23 251**	**-**	**144**	**263**	**204**	**138 629**	**251 465**
Liabilities of the segment (related to activity)	93 132	1 972	142	4 135	673	-	-	-	616	38 230	138 900
Equity of the owners of the parent entity										105 622	105 622
Non-controlling interest										6 943	6 943
Total liabilities and equity	**93 132**	**1 972**	**142**	**4 135**	**673**	**-**	**-**	**-**	**616**	**150 795**	**251 465**
Depreciation of property, plant and equipment	388	1 515	88	892	1 712	-	-	69	91	1 488	6 243
Amortization of intangible assets	-	2	-	-	-	-	-	-	-	66	68
Write-down of segment assets (receivables from supplies and services)	-65	-45	-2 794	-1 397	-	-	-	-	-18	-	-4 319

Note 35 – Profit per One Share

Net profit per 1 share remaining in trade as at balance sheet date 31 December 2021 is PLN 2.61 and in 2020 was PLN 4.72.

Note 36 – Profit Sharing and Loss Coverage

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

Net profit of the Parent Company, Prochem S.A. for 2020, in the amount of PLN 10,076,753.04, by Resolution No. 15 of the Ordinary General Meeting of June 24, 2021, was entirely allocated to the supplementary capital.

Proposed distribution of net profit for 2021

The Management Board of the Parent Entity proposes to allocate net profit for 2021 in the amount of PLN 2 712 706.66 to supplementary capital.

Note 37 - Dividends

The Issuer did not pay dividend for 2020.

Note 38 - Financial Instruments and Financial Risk Management

38.1 Categories and Classes of Financial Instruments

Financial assets

(in PLN thousands)		Categories of financial instruments – Loans, receivables and other	
Classes of financial instruments	**Note**	**31.12.2021**	**31.12.2020**
Trade receivables	10	85 733	72 619
Cash		14 394	38 928
Loans granted	8	17 000	17 083
Other financial assets – security deposits securing bank guarantee granted	11	8 658	9 669
Total		**125 785**	**138 299**

Financial liabilities

31 December 2021

(in PLN thousands)		Categories of financial instruments – Financial liabilities measured at amortized cost	Total
Classes of financial instruments	**note**		
Loans	20	3 704	3 704
Borrowings received	19	700	700
Amounts owed to recipients under agreements	21	5 803	5 803
Trade payables	20	86 481	86 481
Total		**96 688**	**96 688**

31 December 2020

(in PLN thousands)		Categories of financial instruments: Financial liabilities measured at amortized cost	Total
Classes of financial instruments	**note**		
Loans	20	1 334	1 334
Amounts owed to recipients under agreements	19	20 486	20 486
Payables	21	75 242	75 242
Total		**97 062**	**97 062**

Impairment allowances of financial assets by classes of financial instruments

(in PLN thousands)	As at 31 December 2021	31 December 2021
Trade receivables	4 261	4 319
Total	**4 261**	**4 319**

Impairment allowances of financial assets are presented in Note 10.

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

38.2. Financial Risk Management

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

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

Credit risk

The Group conducting business activities sells services to business entities with deferred payment, as a result of which there may be a risk of not receiving a payment from contractors for the services provided. In order to minimize the credit risk, the Group manages the risk through the obligatory procedure of obtaining collateral.
The assumed period of receivables repayment related to the normal course of sales is 14-60 days.
Amounts due from contracting parties are regularly monitored by the financial services. In case of overdue amounts the procedures of vindication are started.
The age analysis of trade receivables, which are overdue on the end of the reporting period, but in case of which no impairment occurred, is presented in Note No. 9.
In order to reduce the risk of not recovering the receivables from deliveries and services, the Group accepts a collateral from its customers in the form of, among other: bank and insurance guarantees, mortgages, promissory notes, as well as security deposits.
For the improvement of the current liquidity, in order release the receivables, which have been retained by investors for a proper security for the contracts implemented and statutory warranty for the construction and assembly works, the Group provides bank guarantee and insurance guarantee as a part of guarantee lines, which were launched with this purpose
Credit risk associated with monetary resources and with bank deposits is considered as low by the Group.

All entities in which the Group deposits its free monetary resources operate in the financial sector. These include domestic banks and branches of the foreign banks with first class current credibility.
Risk of threatened financial assets is reflected by impairment allowances.

Liquidity risk

The Group is exposed to the liquidity risk resulting from the relation of current liabilities to current assets.
As at December 31, 2021 and December 31, 2020 the index ratio of current assets to current liabilities (current liquidity ratio) was respectively 1,28 i 1,49.
Detailed information regarding loans is disclosed in Note 20.
Analysis of maturity of liabilities is in Notes Nos. From 16 to 22.

Currency exchange rate risk

Part of contracts of sale of services is concluded with foreign companies in foreign currencies (EUR, USD, BYR). In the case of a significant strengthening of the domestic currency it may adversely affect the performance of the Group. Partially, this risk is mitigated in the natural way through the purchase of equipment and services for the accomplishment of these contracts abroad, as well as through the purchase of relevant financial instruments.

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	1 012	46	88	9	4 890
Total	**1 703**	**46**	**88**	**9**	**8 068**
Financial liabilities					
Trade payables	2 145	3	-	-	9 878
Total	**2 145**	**3**	**-**	**-**	**9 878**

Exposure to currency risk as at 31 December 2020

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

Analysis of sensitivity to currency risk as at December 31 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%	-305	15%	305
USD/PLN	15%	26	15%	-26
NOK/PLN	15%	6	15%	-6
Total impact		**-273**		**273**

Analysis of sensitivity to currency risk as at December 31 2020

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

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

Revenues in foreign currency achieved in the currency in the years 2021 and 2020 were as follow:

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

Analysis of the impact of potential change in value of financial instruments as at December 31, 2021 on the gross financial result in connection with hypothetical change in foreign currency exchange rates in relation to the Polish Zloty/functional currency.
The above fluctuations were calculated based on historical volatility of particular currencies and forecasts.
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 2021 would increase or decrease by PLN 130 thousand, and in 2020 by PLN 743 thousand, which would have an impact on before tax profit, while costs would increase in 2021 by PLN 206 thousand, and in 2020 by PLN 247 thousand.
The above deviations were calculated on the basis of historical fluctuation for particular currencies and forecasts.
Sensitivity of financial instruments for currency risk was calculated as the difference between the initial book value of financial instruments and its potential book value at assumed increase/drop in exchange rates.

For other currencies sensitivity of financial instruments is not material.

Interest rate risk

The Group is exposed to the risk of volatility of cash flows under interest rate resulting from bank loans based on floating interest rate WIBOR ON (overnight) and loans granted based on floating rate WIBOR

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

Analysis of financial instruments with floating interest rate

(in PLN thousands)	WIBOR 31.12.2021	WIBOR 31.12.2020	Fixed rate of interest 31.12.2021	Fixed rate of interest 31.12.2020
Financial asets				
Loans granted	11 000	11 083	6 000	6 000
Financial liabilities				
Loan	3 704	1 334	-	-

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

(in PLN thousands)	Fluctuations assumed 31.12.2021	Fluctuations assumed 31.12.2020	impact (in PLN thousands) 31.12.2021	impact (in PLN thousands) 31.12.2020
Financial asets				
WIBOR	+50 base point	+50 base point	55	55
Financial liabilities				
Loans	+50 base point	+50 base point	(19)	(7)

Note 39 - Related Party Transactions

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

Key management staff include Members of the Company's Management Board and Members of the Company's Supervisory Board.
In 2021 key management personnel and persons related to key management personnel, in addition to remuneration did not conclude other transactions with the Issuer and the Companies from the Capital Group.

Remuneration paid in 2021 in the Issuer's enterprise to the Members of the Management Board:

1. Marek Kiersznicki PLN 697.7 thousand
2. Krzysztof Marczak PLN 622.3 thousand
3. Michał Dąbrowski PLN 186.0 thousand
4. Jarosław Stępniewski PLN 608.9 thousand

Remuneration paid in 2021 in the Issuer’s enterprise to the Members of the Supervisory Board:

1. Marek Garliński PLN 96 thousand,
2. Karol Żbikowski PLN 60 thousand,
3. Andrzej Karczykowski PLN 60 thousand,
4. Krzysztof Obłój PLN 28.8 thousand,
5. Wiesław Kiepiel PLN 60 thousand,
6. Jarosław Stępniewski PLN 78.5 thousand,

Remuneration paid to the Members of the Supervisory Board in 2021 for performing the functions in the Management Boards and the Supervisory Boards of the companies from the Capital Group:

1. Jarosław Stępniewski PLN 46 thousand
2. Krzysztof Marczak PLN 78 thousand

Transactions with affiliated entities, as below, were concluded on market conditions and relate to sale and purchase of services, among others – of construction and assembly services, and rental services, as well as loans granted mutually.
Guarantees and sureties granted to related entities are presented in Note 40.

Reporting period
(in PLN thousands)
from 1 January 2021 to 31 December 2021

	Sale of services	Purchase of services	Financial income – interest on loans
Jointly-controlled entities and associated entities	3 385	3 408	457

The sale of services in its entirety relate to revenues from the jointly-controlled company Irydion Sp. z o. o. in Warsaw, for the benefit of which is implemented investment task under the name of „Astrum Business Park" in Warsaw, and costs of purchase of services – relate to fees for rental of office.

As at 31 December 2021

	Trade and other receivables	Receivables under loans granted	Trade payables
Jointly-controlled entities and associated entities	6	17 000	6

Comparative period
(in PLN thousands)

from 1 January 2020 to 31 December 2020

	Sale of services	Purchase of services	Financial income – interest on loan
Jointly-controlled entities and associated entities	2 525	3 256	293

As at 31 December 2020

	Trade receivables	Receivables under loans granted	Trade payables
Jointly-controlled entities and associated entities	76	17 083	1

Revenues from the sale of services to jointly-controlled entities and associated entities in 2021 and 2020 in its entirety relate to revenues from the jointly-controlled company Irydion Sp. z o. o. in Warsaw, for the benefit of which is implemented investment task under the name of „Astrum Biznes Park" in Warsaw.
In 2021 the costs relate to the rental of office space.

Note 40 - Contingent Liabilities and Contingent Assets and Other Collateral

Contingent liabilities

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

	31.12.2021	31.12.2020
Collateral granted		
Bank guarantee of the good performance	31 143	50 729
Guarantee of reimbursement of advance payment	3 363	1 500
Guarantee of payment	1 058	995
Tender guarantee	25	-
Total collateral granted	**35 589**	**53 224**
Contingent liabilities		
Surety for the return of advance payment in the Group	-	7 374
Total collateral granted and contingent liabilities	**35 589**	**60 598**

Contingent assets

Contingent assets of the Group are bank guarantees of the good performance, which as at balance-sheet day amount to:

Collateral received

	31 December 2021	31 December 2020
Bank guarantee of good performance	20 519	21 094
Promissory note guarantees securing the terms of the contract	450	450
Total contingent assets	**20 969**	**21 544**

Note 41 - Information on Significant Proceedings Pending before the Court

Did not occur

Note 42 - Events after Reporting Date

After the end of the reporting period, there were no events that would require disclosure in these financial statements. The jointly controlled entity Irydion Spółka z o. o., in which the Parent Company holds 50% of the share capital and voting rights, on February 28, 2022, signed a preliminary agreement for the sale of real estate in Astrum Business Park in Warsaw. The value of the transaction will amount to approximately EUR 43,000 thousand.
The description of the impact of the war in Ukraine on the Group is provided in item 7 of the notes to this report.

Note 43 - Other Explanatory Information to the Financial Statements

Statement of changes in the shareholding of the issuer's shares or rights to them (options) by the Management Board and the Supervisory Board, in accordance with the Issuer's knowledge

As at the date of preparation of the hereby financial statements, the following members of the Management Board and Supervisory Board hold shares of Prochem S.A.

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

The nominal value of 1 share is PLN 1.

The change in the number of shares held by managing and supervising persons results from the sale of shares for redemption at PLN 26 per share.

- Marek Kiersznicki - reduction in the number of shares held by 15 147 pcs.;
- Krzysztof Marczak - reduction in the number of shares held by 12 118 pcs.;
- Marek Garliński - reduction in the number of shares held by 34 067 pcs.;
- Andrzej Karczykowski - reduction in the number of shares held by 171 699 pcs.;
- Jarosław Stępniewski - reduction in the number of shares held by18 177 pcs.

Note 44- Approval of the Financial Statements

Consolidated Financial statements of the Prochem S.A. Capital Group for 2021 were approved for issue by the Management Board of the Parent Entity on April 28, 2022.

Signatures of the Members of the Management Board

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

Signature of the person responsible for bookkeeping

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