# Consolidated financial statements of the PROCHEM S.A. Capital Group
# As at and for the year ended December 31, 2022

## Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

| | Note No. | 31 December 2022 | 31 December 2021 |
|---|---|---|---|
| **A s s e t s** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 1 | 14 769 | 15 757 |
| Intangible assets | 2 | 81 | 89 |
| Investment property | 3 | 12 558 | 10 598 |
| Right-of-use assets | 4 | 29 003 | 24 422 |
| Shares | 5 | 830 | 830 |
| Shares in entities valued using the equity method | 6 | - | 39 139 |
| Deferred tax assets | 7 | 2 096 | 1 362 |
| Receivables under seized security deposits | | 2 431 | 231 |
| Other financial assets | 8 | - | 17 000 |
| **Total non-current assets** | | **61 768** | **109 428** |
| **Current assets** | | | |
| Inventories | 9 | 936 | 8 379 |
| Trade and other receivables | 10 | 51 511 | 87 288 |
| Receivables under current income tax | | 360 | 436 |
| Amounts due from recipients under contracts | 21 | 41 194 | 14 996 |
| Other financial assets | 11 | 7 962 | 8 658 |
| Other assets | 12 | 4 784 | 998 |
| Cash and cash equivalents | | 36 880 | 14 394 |
| **Total current assets** | | **143 627** | **135 149** |
| **Total assets** | | **205 395** | **244 577** |

## Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

| **Equity and liabilities** | **Note No.** | **31 December 2022** | **31 December 2021** |
|---|---|---|---|
| **Equity** | | | |
| Share capital | 13 | 2 355 | 2 935 |
| Shares | | -350 | -580 |
| Revaluation reserve | 14 | 3 364 | 6 513 |
| Retained earnings | 15 | 84 691 | 90 270 |
| **Parent entity owners' equity** | | **90 060** | **99 138** |
| **Non-controlling interest** | | **2 334** | **3 636** |
| **Total equity** | | **92 394** | **102 774** |
| **Non-current liabilities** | | | |
| Non-current loans | 19 | - | 300 |
| Provision to deferred income tax | 7 | 1 939 | 2 759 |
| Liabilities under retirement and similar benefits | 16 | 2 134 | 2 313 |
| Non-current liabilities under seized security deposits | | 8 761 | 9 020 |
| Non-current liabilities under lease | 22 | 27 489 | 21 737 |
| Other non-current liabilities | 17 | 153 | 143 |
| **Total non-current liabilities** | | **40 476** | **36 272** |
| **Current liabilities** | | | |
| Current bank loans | 18 | 1 624 | 3 704 |
| Current borrowings | 19 | - | 400 |
| Trade payables | 20 | 55 802 | 77 461 |
| Amounts owed to recipients under contracts | 21 | 538 | 5 803 |
| Liabilities under current income tax | | 291 | 16 |
| Current liabilities under lease | 22 | 3 875 | 4 923 |
| Other liabilities | 22 | 10 071 | 12 405 |
| Deferred income | 23 | 324 | 819 |
| **Total current liabilities** | | **72 525** | **105 531** |
| **Total liabilities** | | **113 001** | **141 803** |
| **Total equity and liabilities** | | **205 395** | **244 577** |
| **Book value – equity assigned to Parent Entity owners** | | **90 060** | **99 138** |
| **Average number of ordinary shares (in pcs.)** | | **2 005 000** | **2 355 000** |
| **Book value per one share (in PLN) – assigned to owners of the Parent Entity** | | **44.92** | **42.10** |

## Consolidated statement of profit and loss

(all amounts in PLN thousands if not stated otherwise)

| | Note No. | In 2022 | In 2021 |
|---|---|---|---|
| Revenues from sale, including : | | 221 822 | 247 848 |
| Revenues from sale of services | 24 | 218 243 | 245 768 |
| Revenues from sale of goods and materials | 25 | 3 579 | 2 080 |
| Cost of sale, including: | | -209 303 | -230 095 |
| Cost of services sold | 26 | -205 874 | -228 096 |
| Cost of merchandise and materials | | -3 429 | -1 999 |
| **Gross profit on sales** | | **12 519** | **17 753** |
| General and administrative expenses u | 26 | -16 462 | -14 899 |
| Other operating income | 27 | 7 337 | 2 788 |
| Other operating expenses | 28 | -820 | -905 |
| **Result from operating activities** | | **2 574** | **4 737** |
| Financial income | 30 | 2 069 | 1 818 |
| Profit from the sale of all or part of shares of subsidiary | | 124 | -1 044 |
| Finance expenses | 31 | -3 589 | -2 596 |
| Profit sharing in associated entities | | - | 5 233 |
| **Before tax profit** | | **1 178** | **8 148** |
| Income tax: | 32 | 652 | 1 868 |
| - current tax | | 1 171 | 1 423 |
| - deferred tax | | -519 | 445 |
| **Profit for the period** | | **526** | **6 280** |

| | | |
|---|---|---|
| Profit for the period assigned to: | | |
| Shareholders of Parent Entity | 23 | 6 143 |
| Non-controlling interest | 503 | 137 |
| Weighted average number of ordinary shares (in pcs.) | 2 005 000 | 2 355 000 |
| Profit (loss) per ordinary share (in PLN per one share) assigned to owners of the Parent Entity | 0.01 | 2.61 |

## Consolidated statement of comprehensive income

| | In 2022 | In 2021 |
|---|---|---|
| **Profit for the period** | **526** | **6 280** |
| **Other comprehensive income net** | **1 049** | **-110** |
| ***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):*** | **1 049** | **-110** |
| Non-current assets update | 1 220 | -5 |
| Actuarial profit (losses) on valuation of provisions for employee benefits | 73 | -126 |
| Income tax on other comprehensive income | -244 | -21 |
| **Total comprehensive income** | **1 575** | **6 170** |

| | | |
|---|---|---|
| Total comprehensive income assigned to: | | |
| Shareholders of the Parent Entity | 992 | 6 035 |
| Non-controlling interest | 583 | 135 |
| Weighted average number of ordinary shares (in pcs.) | 2 005 000 | 2 355 000 |
| Total comprehensive income per ordinary share (in PLN per one share) assigned to owners of the Parent Entity | 0.49 | 2.56 |

## 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 2022** | | | | | | | |
| **As at the beginning of the period after making the data comparable** | **2 935** | **-580** | **6 513** | **90 270** | **99 138** | **3 636** | **102 774** |
| **Net profit of the given period** | - | - | - | **23** | **23** | **503** | **526** |
| ***Other comprehensive income (net)*** | - | - | *969* | - | *969* | *80* | 1 049 |
| **Total comprehensive income** | **-** | **-** | **969** | **23** | **992** | **583** | **1 575** |
| **Buy-back of own shares of Prochem S.A.** | -580 | *230* | - | - | *-350* | - | -350 |
| **Other changes** | - | - | -4 118 | -5 602 | -9 720 | -1 885 | -11 605 |
| **As at the end of the period** | **2 355** | **-350** | **3 364** | **84 691** | **90 060** | **2 334** | **92 394** |

| | 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** |

## Consolidated statement of cash flows

(all amounts in PLN thousands if not stated otherwise)

| | In 2022 | In 2021 |
|---|---|---|
| **Cash flows – operating activity** | | |
| Before tax profit | 1 178 | 8 148 |
| Total adjustments | 7 104 | -11 919 |
| Share in net profit of associates | - | -5 233 |
| Amortization and depreciation | 6 696 | 6 759 |
| Interest and profit sharing (dividends) | 1 507 | 657 |
| Gain on disposal of property, plant and equipment | -540 | -784 |
| Loss on investment | -5 075 | 1 066 |
| Change in provisions | -1 626 | -1 579 |
| Change in inventories | 7 443 | -3 040 |
| Change in receivables and other assets | 3 873 | -13 489 |
| Change in current liabilities except for borrowings and loans | -28 057 | 2 332 |
| Other adjustments (including change in deferred income) | 22 883 | 1 392 |
| Cash flows provided by (used in) operating activities | 8 282 | -3 771 |
| Income tax paid | 820 | 1 246 |
| **Net cash provided by (used in) operating activities** | **7 462** | **-5 017** |
| **Cash flows – investing activity** | | |
| Disposal of intangible assets and property, plant and equipment | 613 | 477 |
| Loans received – return of loans granted to a jointly- controlled entity | 17 000 | - |
| Interest received on loans granted to related entities | 355 | 540 |
| Dividends received from jointly- controlled entity | 31 562 | - |
| Proceeds from the sale of shares in a related entity | 210 | - |
| Acquisition of intangible assets and property, plant and equipment | -1 174 | -1 527 |
| Acquisition of shares in subsidiary | -11 649 | -1 022 |
| **Cash flows provided by (used in) investing activity** | **36 917** | **-1 532** |
| **Cash flows – financing activity** | | |
| Bank loan incurred | - | 3 020 |
| Acquisition of own shares | -12 600 | -15 080 |
| Repayment of bank loans | -2 080 | -250 |
| Repayment of loans incurred | -700 | - |
| Interest and commission paid | -244 | -119 |
| Payment of liabilities under lease | -6 269 | -5 556 |
| **Cash flows provided by (used in) financing activity** | **-21 893** | **-17 985** |
| Total cash flows, net | 22 486 | -24 534 |
| Net increase/(decrease) in cash and cash equivalents | 22 486 | -24 534 |
| **Cash and cash equivalents as at the beginning of the period** | **14 394** | **38 928** |
| **Cash and cash equivalents at the end of the period** | **36 880** | **14 394** |
| **Including restricted cash** | **851** | **2 086** |

# 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, XIV Commercial Department of the National Court Register, under KRS number 0000019753. Principal activity according to Polish Business Classification (PKD 2007) determines symbol 7112Z engineering activities and related technical consulting. According to Warsaw Stock Exchange classification the company belongs to construction sector. Company Prochem S.A. is a Parent Company of the Capital Group and prepares consolidated financial statements. Prochem S.A. was established through transformation of a state-owned enterprise under the name of Przedsiębiorstwo Projektowania i Realizacji Inwestycji Przemysłu Chemicznego „Prochem”. The notarial deed and statutes were signed in 1991. Duration of the Company is unlimited.

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

In the period from January 1st, 2022 to December 31st 2022 there was no change in the composition of the Management Board of the Company Prochem S.A.

*Composition of the Supervisory Board of Prochem S.A.*

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

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

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

## 3. Employment

Average employment in 2022 was 361 FTEs and in 2021 378 FTEs. Level of employment in persons as at 31 December 2022 was 369 and as at 31 December 2021 was 379.

## 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%);
- PKI PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (91.6% of share in capital and profit, 91.6% of votes);
- Prochem Zachód Sp. z o.o. z seated in Warsaw – subsidiary indirectly (80.0%);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (92.0%), including 57.49% 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.
- 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).
- Irydion Sp. z o.o. seated in Warsaw – subsidiary directly (100%).

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

- ITEL Sp. z o.o. seated in Gdynia – 42.0% 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%) – covered by a revaluation write-down.

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 June 23, 2022, on the basis of an agreement of sale of shares Prochem Inwestycje Sp. z o. o purchased 1,300 shares in Elektromontaż Kraków S.A. PLN 5 each. The parties set the purchase price of the shares at PLN 105 per share, the total purchase price was PLN 136,500.
As a result of the purchase of shares in Elektromontaż Kraków S.A. and a decrease in the share capital on February 2, 2022 in the National Court Register, Prochem S.A. holds a direct and indirect share in the share capital of the company in the amount of 92.0%, and in voting rights in the amount of 92.0%.

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

On August 9, 2022 on the basis of an agreement of sale of shares Prochem Inwestycje Sp. z o. o. purchased 1,145 shares in Przedsiębiorstwo Konsultingowo-Inżynieryjne Predom Spółka z o. o. with nominal value of PLN 50 each. The parties set the purchase price of the shares at PLN 400 per share, the total purchase price was PLN 458,000. Before the transaction, Prochem S.A. held a direct and indirect share in the share capital of the company in the amount of 81.7%, and in the voting rights in the amount of 72.3%, after the transaction, the share in the capital is 91.4%, and in the voting rights is 91.4%.

On December 20, 2022, Prochem S.A. purchased 4,500 shares in Irydion Sp. z o. o., which constituted a 50% share in the share capital and voting rights, from LFI1 Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych seated in Warsaw, ul. Złota 59 (for which OPTI Towarzystwo Funduszy Inwestycyjnych Spółka Akcyjna seated in Warsaw, ul. Złota 59 acted as the authorized body).
As at December 31, 2022, the sole shareholder is Prochem S.A.

On December 27, 2022, Elektromontaż Kraków S.A. seated in Kraków, signed an agreement for the sale of shares in Elmont Measurement Sp. z o. o. seated in Krakow. Under this agreement, Elektromontaż Kraków S.A. sold 200 shares with a nominal value of PLN 950 each, for a total price of PLN 280,000 payable in 6 (six installments: first installment of PLN 28,000 payable by March 31, 2023, second installment of PLN 28,000 payable by June 30, 2023, third instalment of PLN 28,000 payable by September 30, 2023, fourth instalment of PLN 28,000 payable by December 31,2023, fifth instalment PLN 25,200 payable by March 31, 2024 and sixth instalment of PLN 142,800 payable by June 30, 2024). The ownership right to the shares was transferred to the buyers on January 1, 2023.

## 5. Adopted accounting principles

### Principles of presentation

Consolidated financial statements of the Prochem S.A. Capital Group for the period from 1 January to 31 December 2022 and analogous period of the comparable year was prepared according to International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) endorsed by European Union (EU) and were in force as at 31 December 2022. The scope of the financial statements is consistent with the Regulation of the Minister of Finance of March 29, 2018 on current and periodic information provided by issuers of securities and the conditions for recognizing as equivalent information required by the law of a non-member state (Journal of Laws, item 757).

The presented consolidated financial statements of the Capital Group presents reliably and clearly the Group's financial and property position as at December 31, 2022 and comparative data as at December 31, 2021, as well as the results of this activity for the year ended December 31, 2022 and comparative data for the year ended December 31, 2021.

Consolidated financial statements of the Prochem S.A. Capital Group as at 31 December 2022 has been prepared with the assumption that business will continue as a going concern in the foreseeable future. Management boards of companies belonging to the Prochem S.A. Capital Group analyzed the circumstances described in note 42 and in their opinion they do not affect the ability of individual companies 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 2021.

*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 their impact*

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

- Amendments to IFRS 3 „Business Combinations"- update of references to the Conceptual Framework
- Amendments to IFRS 16"Property, plant and equipment"- revenues from products manufactured in the period of preparation of property, plant and equipment for the commencement of operation revenues generated before asset is put into use,.
- Amendments to IFRS 37 "Provisions, contingent liabilities and contingent assets"- clarifications on costs recognized in the analysis of whether the contract is an onerous contract.
- Annual amendments to IFRS 2018-2020. - the amendments explain and clarify the guidelines of the standards for recognition and measurement; IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments" and IFRS 41 "Agriculture" and the illustrative examples to IFRS 16 „Lease".

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

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

Approved by the IASB for use from 1 January 2023:

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

Approved by the IASB for use from 1 January 2024::

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

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

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

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

**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 SA 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.
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.

With regard to investment properties, depreciation rates and the depreciation method are applied as for property, plant and equipment. Investment property is derecognised from the statement of financial position when it is sold or permanently withdrawn from use. Any gains or losses resulting from the derecognition of investment property from the statement of financial position are recognized in the income statement in the period in which such derecognition was made.

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 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.
Property valuation is carried out at least once every two years, and 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

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 initially recognized at fair value, with the fair value of trade receivables as at the moment of initial recognition being the nominal value resulting from the issued sales invoices, and then they are measured

at amortized cost, using the effective interest rate, taking into account impairment losses. 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.

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 assets***

IFRS 9
Upon initial recognition, financial assets are classified into one of three categories:
• financial assets measured at amortized cost;

• financial assets 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 objective is to hold assets in order both to collect contractual cash flows contracts as well as their selling,
- contractual terms relating to the financial asset give rinse on specified dates to cash flows which are solely payments of principal and interest on the principal outstanding.

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 any changes in the classification of financial liabilities.

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

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

**Measurement of financial assets at fair value**

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

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

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

Profit or loss arising from measurement of the financial asset classified as available-for-sale is recognized in 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 measures values loans and other receivables, including trade receivables and held-to-maturity investments according to amortized cost and using the effective interest rate method.

**Measurement of financial 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 contracted liability is determined based on the current sale price for instruments quoted on an active market.
In the absence of an active market, fair value of financial liabilities is determined by:

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

**Measurement of other financial liabilities at amortized cost**
The Group measures other financial liabilities at amortized cost using the effective interest rate method. Other financial liabilities include trade liabilities, lease liabilities, accruals, investment liabilities and other financial liabilities.

Financial guarantee agreements, i.e. agreements obliging the Group (issuer) to make specified payments to compensate the holder for the loss it will incur due to failure by a specified debtor to make payments on the due date in accordance with the original or changed terms of a debt instrument, not classified as liabilities measured at fair value through profit or loss, are measured at the higher value:

- the amount of the allowance for expected credit losses,
- the initial value less, where applicable, the cumulative amount of income recognized in accordance with IFRS 15.

**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 Group, 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 Group 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 Group has no other retirement benefit plans.

Pursuant to the Remuneration Regulations applicable in the Companies from the Capital Group, employees 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 companies of the Group, there are jubilee bonuses paid at five-year intervals after the employees have reached the required length of service. The aforementioned gratifications 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-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 Group'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 Group 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 from the materialization in the reporting period of phenomena reflected in the actuarial assumptions adopted at the beginning of the period and as a result of updating the assumptions made at the end of the period, recognized in other comprehensive income, if they relate to post-employment benefits (severance pay) and in profits and losses, if they relate to other long-term benefits (jubilee awards),
- past employment costs occasionally appearing as a positive or negative offsetting of write-offs made in previous periods and the current period, resulting from a change in the conditions of benefits (such as change in retirement age) or introduction/restriction of a benefit plan, recognized in profit or loss for the period.

**Equity**

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

- ➢ Founding capital – shares capital shown in the nominal value of the issued and registered shares.
- ➢ Revaluation reserve includes:
  - the revaluation difference between the fair value and the purchase price, less deferred tax

among others on buildings, constructions, and land measured at fair value,
- capital arisen from the foreign exchange differences – from translation of the foreign operations of Representation Office,
- capital arisen from the foreign exchange differences – from translation of the foreign operations of Representation Office).

- 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), assembly of electrical installations, design and engineering services and rental of office space and procurement. 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**
The consolidated financial statements is presented in thousands of Polish Zlotys ('zloty' or 'PLN') which is the functional currency of the 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.

## 6. The Impact of the Coronavirus Pandemic on the Operations of the Prochem S.A. Group

Since the outbreak of the epidemic, Prochem S.A. and companies from the Group have implemented many procedures related to the need to adapt to the constantly changing operating conditions, as well as to prevent the spread of COVID-19 infections.
As at the moment of preparation of hereby financial statements, the Group's financial situation is stable. The Group analyzes the situation on the markets on an ongoing basis and the incoming signals from contractors that may indicate a deterioration of the financial situation and, if necessary, will update the adopted estimates when preparing the financial statements.

Management boards of companies from the Capital Group of Prochem S.A. monitor the current situation with particular 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.

## 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 Boards of companies from the Capital Group of Prochem S.A. monitor the current situation with particular attention and, if necessary, are prepared to take appropriate actions to adapt its potential to the new conditions in order to mitigate any negative effects on the entity.

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

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

## 8. Explanatory notes to consolidated financial statements as at and for the year ended December 31, 2022

### Note 1 – Property, Plant and Equipment

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Property, plant and equipment, including: | 14 769 | 15 757 |
| - land | 1 914 | 1 924 |
| - buildings, premises and civil engineering objects | 10 068 | 10 966 |
| - machinery and equipment | 1 287 | 866 |
| - vehicles | 1 009 | 1 413 |
| - other PPE | 491 | 588 |
| Construction under progress | - | - |
| **Total property, plant and equipment** | **14 769** | **15 757** |

| **Property, plant and equipment – ownership structure** | 31 December 2022 | 31 December 2021 |
|---|---|---|
| a) own | 5 435 | 4 981 |
| b) used under rental, lease or other agreement, including: | 9 334 | 10 776 |
| - lease | 8 301 | 9 484 |
| - value of the right of perpetual usufruct | 1 033 | 1 292 |
| **Total balance sheet property, plant and equipment** | **14 769** | **15 757** |

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 2022 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$^2$.<br>• Attractiveness of the location and neighbourhood.<br>• Area and shape of the plot.<br>• Designation.<br>• Legal status.<br>• Access to the plot. | The estimated fair value of real estate would be increased (or would be reduced) if:<br>• 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: | • Level of space lease: reflecting the status of the currently leased space.<br>• 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:<br>• Level of leased space was higher (was lower);<br>• Discount rates adjusted for the risk were lower (were higher). |

| | | |
|---|---|---|
| attractiveness of the location, technical 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 2022.

| Group | Fair value as at December 31, 2022 (in PLN thousands) | Fair value as at December 31, 2021 (in PLN thousands) |
|---|---|---|
| | Level 3 | Level 3 |
| Land, including the right of perpetual usufruct | 1 914 | 1 924 |
| Buildings and constructions | 10 068 | 10 966 |
| **Total** | **11 982** | **12 890** |

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

### Change in PPE – in 2022

| | - land, including the right of perpetual usufruct of land | - buildings, premises and civil engineering objects | - machinery and equipment | - vehicles | - other PPE | - construction under progress | Total PPE |
|---|---|---|---|---|---|---|---|
| **Gross value** | | | | | | | |
| **As at January 1 2022** | **2 357** | **21 427** | **5 341** | **3 444** | **3 866** | **0** | **36 435** |
| Increase (due to) | 379 | 843 | 1 011 | 92 | 223 | 54 | 2 602 |
| - acquisition of non-current assets | | | 1 011 | 92 | 223 | 54 | 1 380 |
| - re-measurement of non-current assets | 379 | 843 | - | - | - | - | 1 222 |
| Decrease (due to) | -359 | -1 010 | -251 | -531 | -943 | -54 | -3 148 |
| - disposal of non-current assets | -359 | -1 010 | -41 | -68 | -726 | - | -2 204 |
| - liquidation of non-current assets | - | - | -19 | -86 | -49 | - | -154 |
| - changes – disposal of subsidiary | - | - | -191 | -377 | -171 | - | -739 |
| - changes | - | - | - | - | 3 | -54 | -51 |
| **As at December 31, 2022** | **2 377** | **21 260** | **6 101** | **3 005** | **3 146** | **-** | **35 889** |
| **Depreciation and impairment** | | | | | | | |
| **As at January 1, 2022 - accumulated depreciation** | **433** | **10 461** | **4 475** | **2 031** | **3 278** | **-** | **20 678** |
| Depreciation for the period (under) | 30 | 753 | 339 | -35 | -623 | - | 464 |
| - increase (depreciation accrued) | 30 | 791 | 562 | 492 | 185 | - | 2 060 |
| - decrease under disposal of non-current assets | - | -60 | -41 | -68 | -652 | - | -821 |
| - decrease under liquidation of non-current assets | - | - | -19 | -86 | -45 | - | -150 |
| - change – disposal of subsidiary | - | - | -165 | -371 | -110 | - | -646 |
| - changes | - | - | 2 | -2 | -1 | - | -1 |
| **As at December 31, 2022 - accumulated depreciation** | **463** | **11 192** | **4 814** | **1 996** | **2 655** | **-** | **21 120** |
| **Impairment of PPE** | | | | | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Net value of PPE as at 31 December 2022** | **1 914** | **10 068** | **1 287** | **1 009** | **491** | **-** | **14 769** |

## Comparative data

## 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 January 1, 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 January 1, 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 non-current assets** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Net value of non-current assets as at 31 December 2021** | **1 924** | **10 966** | **866** | **1 413** | **588** | **-** | **15 757** |

## Note 2 – Intangible assets

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Acquired concessions, patents, licenses and similar assets including computer software | 81 | 89 |
| **Total intangible assets** | **81** | **89** |
| Intangible assets – ownership structure | | |
| own | 81 | 89 |
| **Total intangible assets** | **81** | **89** |

## Changes in intangible assets in 2022

| | Acquired concessions, patents, licenses and similar assets including computer software | Total intangible assets |
|---|---|---|
| **Gross value** | | |
| **As at 1 January 2022** | **3 220** | **3 220** |
| Increase (due to) | 32 | 32 |
| - acquisition of non-current assets | 32 | 32 |
| Decrease (under) | -447 | -447 |
| - liquidation | -447 | -447 |
| **As at 31 December 2022** | **2 805** | **2 805** |
| **Amortization and impairment** | | |
| **As at 1 January 2022 – amortization accumulated** | **3 131** | **3 131** |
| Amortization for the period (under) | -407 | -407 |
| - increase (amortization accrued) | 39 | 39 |
| - decrease due to liquidation | -446 | -446 |
| **As at 31 December 2022 - accumulated amortization** | **2 724** | **2 724** |
| **Net intangible assets as at 31 December 2022** | **81** | **81** |

## Comparative data

| | 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 (due to) | 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 - amortization accumulated** | **3 131** | **3 131** |
| **Net intangible assets as at 31 December 2021** | **89** | **89** |

## Note 3 – Investment Property

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Buildings and construction | 8 152 | 8 216 |
| Value of the land | 4 406 | 2 382 |
| **Total investment property** | **12 558** | **10 598** |

| **Investment property by titles** | **Change in investment property for the period from 1January 2022 to 31December 2022** | **Change in investment property for the period from 1January 2021 to 31December 2021.** |
|---|---|---|
| **Investment property - land** | | |

| | | |
|---|---:|---:|
| As at opening balance sheet: | 2 382 | 2 189 |
| - decrease under reclassification – assets held-for-sale | - | 193 |
| - increase under valuation at fair value | 2 024 | - |
| **As at closing balance sheet** | 4 406 | 2 382 |
| **Investment property - buildings and constructions** | | |
| As at opening balance sheet: | 8 216 | 7 672 |
| - changes under: | | |
| a) decrease | -42 | - |
| b) increase due to reclassification | - | 544 |
| c) decrease - depreciation accrued | -22 | - |
| **Total change** | -64 | 544 |
| **As at closing balance sheet** | 8 152 | 8 216 |
| Write-down of investment property | - | - |
| **Total investment property** | **12 558** | **10 598** |

Fair value as at 31 December 2022 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 2022 this value was confirmed by independent appraisers. Valuation methods and key unobservable data are presented in the table below:

| **Method of measurement** | **Key, unobservable inputs for the properties being compared** | **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 transactions 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 the properties being compared<br>• Attractiveness of the location and neighbourhood.<br>• Area and shape of the plot.<br>• Standard and functionality of rooms.<br>• Technical condition of the building.<br>• Legal status.<br>• Access do the plot. | The estimated fair value of real estate would be increased (or would be reduced) if :<br>• 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 and 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 standard and the functionality of the building, the possibilities of the access, and parking spaces. | • Level of space lease : reflecting the status of the currently leased space.<br>• Adjusted for the risk of discount rate: 6.3 %,.7%, 6.8%, | The estimated fair value of real estate would be increased (or would be reduced) if:<br>• Level of leased space was higher (was lower);<br>• Discount rates adjusted for the risk were lower (were higher). |

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

Details concerning investment property and information about the hierarchy of fair values as at 31 December 2022.

| Group | Fair value (in PLN thousands) | |
|---|---|---|
| | 31 December 2022 | 31 December 2021 |
| | Level 3 | Level 3 |
| Land, including the right of perpetual usufruct | 4 406 | 2 382 |
| Buildings and constructions | 8 152 | 8 216 |
| **Total** | **12 558** | **10 598** |

There were no changes between levels 1, 2 and 3 during the year.

## Note 4 – *Right-of-use Assets*

| Description | Buildings and constructions | Machinery and equipment | Vehicles | Total |
|---|---|---|---|---|
| Gross book value | 32 628 | 378 | 3 826 | **36 832** |
| Increase in value - concluding new contracts | **-** | - | 380 | **380** |
| Increase in gross value – updating of the value of contracts concluded | 3 698 | - | 175 | **8 873** |
| Decrease in value – ending of contract | - | - | -535 | **-535** |
| Write-downs | - | - | - | - |
| **Total** | **41 326** | **378** | **3 846** | **45 550** |
| **Increase (+) /decrease (-)** | | | | |
| Depreciation – as at opening balance sheet | -9 984 | -282 | -2 144 | **-12 410** |
| Depreciation accrued | -3 535 | -55 | -959 | **-4 549** |
| Decrease – ending of contract | - | - | 412 | **412** |
| Write-downs | - | - | - | **-** |
| **Total** | **-13 519** | **-337** | **-2 691** | **-16 547** |
| **Total as at 31.12.2022** | | | | **-** |
| Gross book value | 41 326 | 378 | 3 826 | **45 550** |
| Accumulated depreciation | -13 519 | -337 | -2691 | **-16 547** |
| Write-downs | - | - | - | **-** |
| **Book value net as at 31.12.2022** | **27 807** | **41** | **1 155** | **29 003** |

## Note 5 – Shares in Other Entities

| Shares | 31 December 2022 | 31 December 2021 |
|---|---|---|
| In other entities | 830 | 830 |
| Shares, net value | 830 | 830 |
| Write-downs of shares | 6 | 6 |
| **Shares, gross value** | **836** | **836** |

| Change in shares | 31 December 2022 | 31 December 2021 |
|---|---|---|
| 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 31.12.2022**

| 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 2022 | 31 December 2021 |
|---|---|---|
| - Shares – net value | - | 39 139 |
| - write-downs of shares | 1 011 | 1 011 |
| **Shares, gross value** | **1 011** | **40 150** |

| Change in shares in jointly-controlled entities and in associated entities | 31 December 2022 | 31 December 2021 |
|---|---|---|
| a) as at the beginning of the period | 39 139 | 33 907 |
| - shares at cost | 39 139 | 33 907 |
| b) increase (under) | 4 979 | 5 232 |
| - share in the current year result | 4 979 | 5 232 |
| c) decrease (under) | -44 118 | - |
| - dividend paid | -31 562 | |
| - change of the status of the company from an associate to a subsidiary | -12 556 | - |
| **d) as at the end of the period, net** | **-** | **39 139** |
| e) write-down | 1 011 | 1 011 |
| **f) as at the end of the period gross** | **1 011** | **40 150** |

| Change in write-downs of shares in jointly-controlled entities and in associated entities | 31 December 2022 | 31 December 2021 |
|---|---|---|
| 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** |

## Shares in subsidiaries covered by full consolidation - as at 31 December 2022

| Item No. | a | b | c | d | e | f | g | h | i | j | K |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Name of the company and its legal form | Registered office | Scope of 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 i | 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 85.8% of capital) | full | 19.07.2002 | 177 | - | 177 | 91.6% | 91.6% |
| 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 57.49% of shares) | full | 10.12.2001 | 1 243 | - | 1 243 | 92.0% | 92.0% |
| 6 | PROCHEM RPI S.A. | Warsaw | Developer's activity | subsidiary company Prochem Inwestycje sp. z o. o. holds 3.33% of shares) | full | 08.04.1998 | 493 | 380 | 113 | 100.0% | 100.0% |
| 7 | IRYDION sp. z o.o. | Warsaw | Real estate rental on own account | Subsidiary | full (change of the shareholding structure in the company from a jointly controlled company to a subsidiary as of December 21, 2022) | 21.12.2022 | 15 548 | - | 15 548 | 100.0% | 100.0% |
| 8 | Elmont Pomiary sp. z o.o.*) | Kraków | Developer's activity | Indirect subsidiary (Elektromontaż Kraków S.A. holds100% shares ) | full | 20.04.2004 | 190 | - | 190 | 77.6,0% | 77.6% |
| 9 | PREDOM PROJEKTOWANIE sp. z o.o.**) | Wrocław | Design services | Indirect subsidiary (company PKI Predom Sp. z o.o.) | Not subject to consolidation | 01.05.2002 | 53 | 53 | - | 81.0% | 69.3% |

**) Elmont Pomiary Sp. z o.o. – shares of the company sold under the agreement of December 27, 2022. The ownership of the shares was transferred to the buyers on January 1, 2023.*
**) ***the company has not commenced activities***

***Shares in subsidiaries – continuation***

| | a | b | | | | | | | | c | | | d | | | e | f |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Item No | Name of the company | Entity's equity, including : | | | | | | | | Entity's liabilities and provisions to liabilities, including: | | | Entity's trade and other receivables, including: | | | Total entity's assets | Total sales revenue |
| | | | Share capital | Own shares (negative value | revaluation reserve | Retained earnings, including: | | | Net profit write-off during the financial year | | Non-current | current | | Non-current | current | | |
| | | | | | | | profit (loss) brought forward | Net profit (loss) | | | | | | | | | |
| 1 | PROCHEM INWESTYCJE Sp. z o. o. | 7 906 | 3 000 | - | - | 4 846 | - | 60 | | 18 532 | 17 423 | 1 109 | 133 | - | 133 | 26 438 | 4 064 |
| 2 | PKI.PREDOM Sp. z o.o. | 4 897 | 600 | - | - | 4 200 | - | 97 | | 1 803 | 132 | 1 671 | 5 140 | 143 | 4 997 | 6 700 | 4 401 |
| 3 | 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. | 2 039 | 1 600 | - | - | 378 | - | 61 | | 6 | - | 6 | 1 | - | 1 | 2 045 | - |
| 5 | ELEKTROMONTAŻ KRAKÓW S.A.*) | 18 501 | 728 | - | 4 185 | 13 154 | - | 434 | | 17 627 | 2 971 | 14 656 | 19 437 | 5 | 19 432 | 36 128 | 73 828 |
| 6 | PROCHEM RPI Sp. z o.o. | 3 713 | 600 | - | - | -487 | - | 3 600 | | 8 688 | 4 862 | 3 826 | 1 445 | - | 1 445 | 12 401 | 121 |
| 7 | IRYDION Sp. z o.o. | 25 171 | 9 000 | - | - | 6 156 | - | 10 015 | -5 040 | 187 | 118 | 69 | 1 143 | 445 | 698 | 25 352 | 10 795 |
| 8 | 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. | | | | | | | | | | | | | | |
| 9 | PREDOM PROJEKTOWANIE Sp. z o.o. | | Not subject to consolidation | | | | | | | | | | | | | | |

** Data from the consolidated financial statements of the Elektromontaż Kraków S.A. Capital Group as at December 31, 2022*

## Shares in entities valued using the equity method as at 31 December 2022

| Item No. | a | b | c | d | e | f | g | h | i | j | k |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Name of the company and its legal form | Registered office | Scope of the company's activities | Type of relationship (subsidiary, jointly-controlled, associated with 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 a | 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% |

### *Shares in entities valued using the equity method – continuation*

| Item No. | a | b | | c | | | d | | | e | f |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Name of the company | Entity's equity, including: | | Entity's liabilities and provisions to liabilities, including: | | | Entity's receivables, including: | | | Entity's assets | Sales revenue |
| | | | Profit (loss) net | | total | current | | Non-current | current | 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 |

## Note 7 - *Settlement of Deferred Income Tax*

### *- deferred tax assets*

| Change in deferred tax assets | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **1. Deferred tax assets as at the beginning of the period, recognized in financial result** | **5 193** | **5 896** |
| **a) ) recognized in financial result** | **5 067** | **5 790** |
| - provisions for 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 loan | - | 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** | **126** | **106** |
| - provision for retirement benefit | 126 | 106 |
| **2. Increase** | **9 839** | **4 236** |
| **a) recognized in financial result** | **9 839** | **4 216** |
| - provision to costs | 985 | 948 |
| - write-down of receivables | 83 | 4 |
| - unpaid remuneration under contracts of mandate and specific task contracts | - | 29 |
| - deferred income | 1 392 | 1 100 |
| - interest on loan | - | 4 |
| - provision for retirement benefits | 20 | 34 |
| - provision for holiday benefits | 60 | 71 |
| - unpaid employee benefits | 102 | 101 |
| - tax loss | 1 059 | - |
| - discounted cash flows expenses | 49 | - |
| - surplus of costs incurred above margin | 6 053 | 1 883 |
| - other, including exchange differences | 36 | 42 |
| **b) recognized in equity due to negative temporary differences (under)** | **-** | **20** |
| - provision for retirement benefit | - | 20 |
| **3. Decrease** | **4 537** | **4 939** |
| **a) recognized in financial result** | **4 525** | **4 939** |
| - provision to costs | 1 135 | 222 |
| - write-down of receivables | 5 | - |
| - paid remuneration under contracts of mandate and specific task contracts | 29 | 33 |
| - deferred income | 1 100 | 988 |
| - interest on loan | - | 256 |
| - provision for retirement benefits | 18 | 31 |
| - provision for holiday benefits | 57 | 59 |
| - unpaid employee benefits | 186 | 184 |

| | | |
|---|---|---|
| - tax loss | 71 | 16 |
| - discounted cash flows expenses | 40 | 78 |
| - surplus of costs incurred above margin | 1 883 | 3 066 |
| - other, including exchange differences | 1 | 6 |
| **b) recognized in equity due to negative temporary differences (under)** | **12** | **-** |
| - provision for retirement benefits | 12 | - |
| **4. Total deferred tax assets at the end of period, including:** | **10 495** | **5 193** |
| **a) recognized in financial result** | **10 381** | **5 067** |
| - provision to costs | 817 | 967 |
| - write-down of receivables | 89 | 11 |
| - unpaid remuneration under contracts of mandate and specific task contracts | - | 29 |
| - deferred income | 1 423 | 1 131 |
| - interest on loans | - | - |
| - provision for retirement benefit | 401 | 399 |
| - provision for holiday benefits | 343 | 340 |
| - unpaid employee benefits | -79 | 5 |
| - tax loss | 1 115 | 127 |
| - discounted cash flows expenses | 9 | - |
| - surplus of costs incurred above margin | 6 053 | 1 883 |
| - other, including exchange differences | 210 | 175 |
| **b) recognized in equity due to negative temporary differences (under)** | **114** | **126** |
| - provision for retirement benefits | 114 | 126 |

### *- provision under deferred income tax*

| **Change in provision for deferred income tax** | **31 December 2022** | **31 December 2021** |
|---|---|---|
| **1. Provisions for deferred income tax as at the beginning of the period, including:** | **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** |
| - re measurement of PPE at fair value | 1 505 | 1 505 |
| **2. Increase** | **8 254** | **3 160** |
| **a) recognized in financial result of the period under positive temporary differences** | **8 254** | **3 160** |
| - interest accrued on loan | 56 | 163 |
| - updating of current financial assets | 119 | - |
| - discounted cash flow expenses (cash deposits) | 40 | - |
| - accrued income from uncompleted service | 5 907 | 2 621 |

| | | |
|---|---|---|
| - the difference between the operating lease installment and the depreciation of leased fixed assets recognized as costs | 1 | - |
| - updating of non-financial investments | 2 038 | - |
| - surplus of the balance sheet depreciation over tax depreciation | - | 91 |
| - income under discounted liabilities | 64 | 278 |
| - margin on estimated revenues | 29 | - |
| - other | - | 7 |
| **b) recognized in equity** | **-** | **-** |
| - re-measurement of PPE at fair value | - | - |
| **3. Decrease** | **4 506** | **3 441** |
| **a) recognized in financial result of the period under positive temporary differences** | **3 127** | **3 441** |
| - interest on loan paid | 97 | 257 |
| - updating of non-current financial assets | - | 37 |
| - accrued income from uncompleted service | 2 386 | 2 945 |
| - the difference between the operating lease installment and the depreciation of leased non-current assets recognized as costs | - | - |
| - use of revaluation of non-financial investments | 1 | 4 |
| - surplus of the balance sheet depreciation over tax depreciation | - | - |
| - income under discounted liabilities | 61 | 137 |
| - other | 582 | 61 |
| **b) recognized in equity** | **1 379** | **-** |
| - re-measurement of PPE at fair value | 1 379 | - |
| **4. Total deferred tax liability at the end of the period** | **10 338** | **6 590** |
| **a) recognized in financial result** | **10 212** | **5 085** |
| - interest accrued on loan | 81 | 122 |
| - updating of current financial assets | 119 | - |
| - updating of non-current financial assets | 136 | 136 |
| - discounted cash flow expenses (cash deposits) | 40 | - |
| - accrued income from uncompleted service | 5 668 | 2 147 |
| - the difference between the operating lease installment and the depreciation of leased non-current assets recognized as costs | 1 | - |
| - updating of non-financial investments | 3 360 | 1 323 |
| - surplus of the balance sheet depreciation over tax depreciation | 1 094 | 1 094 |
| - income under discounted liabilities | 247 | 244 |
| - other | -563 | 19 |
| **b) recognized in equity** | **126** | **1 505** |
| - re-measurement of PPE at fair value | 126 | 1 505 |

| | **31 December 2022** | **31 December 2021** |
|---|---|---|
| Deferred tax assets | 10 495 | 5 193 |
| Provision under deferred tax assets | -10 338 | - 6 590 |
| **Assets/(Provisions) to deferred income tax** | **157** | **-1 397** |

***Presentation in the statement of financial position:***

| | **31 December 2022** | **31 December 2021** |
|---|---|---|
| Deferred tax assets | 2 096 | 1 362 |
| Provision to deferred tax | -1 939 | -2 759 |

| | | |
|---|---|---|
| **Assets/(Provisions) to deferred income tax** | **157** | **-1 397** |

## Note 8 – *Other Non-current Financial Assets*

| **Other financial assets** | **31 December 2022** | **31 December 2021** |
|---|---|---|
| a) from jointly-controlled entities: | - | 17 000 |
| - loans granted | - | 17 000 |
| b) other financial assets – security deposits securing the bank guarantee granted | - | - |
| **Total other non-current financial assets** | **-** | **17 000** |

***Loans granted - as at 31 December 2022***

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

***Increase:***

- Accrued interest on loans granted to jointly-controlled company Irydion sp. z o. o. in the amount of PLN 356 thousand.

***Decrease:***

- Repayment of loans contracted by the jointly-controlled company Irydion sp. z o.o. in the amount of PLN 17 000 thousand,
- Repayment of interest contracted by jointly-controlled company Irydion Sp. z o. o. in the amount of PLN 356 thousand.

***Loans granted – as at 31 December 2021***

- Loans granted to jointly-controlled company Irydion Sp. z o .o. seated in Warsaw:
  - in the amount of PLN 11 000 thousand, including: amount of the loan PLN 11 000 thousand, 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 granted to jointly-controlled company Irydion Sp. z o. o. in the amount of PLN 540 thousand,

## Note 9– Inventories

| **Inventories** | **31 December 2022** | **31 December 2021** |
|---|---|---|
| Materials | 936 | 7 578 |
| Semi-finished goods and work-in-process | - | 443 |
| Goods | - | 358 |
| **Total inventories** | **936** | **8 379** |
| Write-down of inventories | 557 | 557 |

## Note 10 – Trade and Other Receivables

| Trade and other receivables | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Trade receivables | 53 027 | 89 994 |
| Write-down of trade receivables | 4 728 | 4 261 |
| **Trade receivables net, including** | **48 299** | **85 733** |
| - with repayment period up to 12 months | 43 617 | 81 093 |
| - with repayment period more than 12 months | 4 682 | 4 640 |
| **Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits** | **-** | **105** |
| Other receivables | 3 212 | 1 450 |
| Write-down of other receivables | - | - |
| **Other receivables net** | **3 212** | **1 450** |
| **Total receivables** | **51 511** | **87 288** |

For the purpose of estimating the expected credit loss, it used a provision matrix, which was developed based on observations of historical aging and repayment levels. The Company conducted an impairment test of assets - in the trade receivables item. As a result of the test, the expected credit losses were estimated and it was found that they do not have a significant impact on the presented value of receivables.
For other classes of financial assets and liabilities, the fair value equals the book value and as at balance sheet date 31.12.2022 amounts to PLN 51 511 thousand, and as at 31.2.2021 PLN 87 288 thousand.

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

| Change in write-down of trade and other receivables | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **As at the beginning of the period** | **4 261** | **4 319** |
| a) increase (under) | 497 | 23 |
| - provision to receivables | 497 | 23 |
| b) decrease (under) | 30 | 81 |
| - payment received | - | 65 |
| - the use of write-downs created in the previous periods | - | 16 |
| - resolving of write-down | 30 | - |
| **Write-downs of current trade and other receivables at the end of the period** | **4 728** | **4 261** |

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 2022 and as at 31 December 2021 trade receivables include the security deposits under statutory warranty for construction and assembly works respectively in the amount of PLN 1 342 thousand and 5 977 thousand.

| Trade receivables with time of repayment remaining from the balance sheet date: | 31 December 2022 | 31 December 2021 |
|---|---|---|
| a) up to 1 month | 28 779 | 50 954 |
| b) above 1 month to 3 months | 13 314 | 24 724 |
| c) above 3 months to 6 months | 1 997 | 999 |
| d) above 6 month to 1 year | 1 341 | 5 217 |
| e) above 1 year | 2 710 | 3 036 |
| f) receivables overdue | 4 886 | 5 064 |
| **Total receivables from supplies and services (gross)** | **53 027** | **89 994** |
| g) write-downs of receivables from supplies and services | 4 728 | 4 261 |
| **Total receivables from supplies and services (net)** | **48 299** | **85 733** |

| Age analysis of past due trade receivables (gross) | 31 December 2022 | 31 December 2021 |
|---|---|---|
| a) up to 1 month | 15 | 541 |
| b) above 1 month to 3 months | 5 | 79 |
| c) above 3 months to 6 months | 12 | 43 |
| d) above 6 month to 1 year | 62 | 140 |
| e) above 1 year | 4 792 | 4 261 |
| **Total receivables from supplies and services past due (gross)** | **4 886** | **5 064** |
| f) write-downs of past due receivables from supplies and services | 4 728 | 4 261 |
| **Total past due receivables from supplies and services (net)** | **158** | **803** |

## Note 11 – Other Financial Assets

| Other financial assets by type: | 31 December 2022 | 31 December 2021 |
|---|---|---|
| a) other financial assets - security deposits constituting security for guarantees provided by the bank | 7 962 | 8 658 |
| b) other | - | - |
| **Total other financial assets** | **7 962** | **8 658** |

## Note 12 – Other Assets

| Other assets by type: | 31 December 2022 | 31 December 2021 |
|---|---|---|
| a) prepayments | 4 874 | 998 |
| - cost of property and personal insurance | 338 | 232 |
| - software maintenance costs | 784 | 653 |
| - subscription | 9 | 4 |
| - deferred costs | 9 | 17 |
| - other | 3 644 | 92 |
| **Total other assets** | **4 784** | **998** |

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

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

On September 24, 2022, the XLIV Extraordinary General Meeting (EGM) of Prochem S.A. was held, at which a resolution was adopted on consent to the acquisition by Prochem S.A. of own shares for redemption. Pursuant to Resolution No. 4, the Extraordinary General Meeting of Prochem S.A. authorizes and obliges the Management Board of Prochem S.A. to purchase own shares in the total number not exceeding 350,000 shares, with the total nominal value not exceeding PLN 350,000. The purchase price of own shares was set at PLN 36, the total purchase price of own shares will not exceed PLN 12,600,000.00. The deadline for the purchase of own shares was set from September 24, 2022 to November 30, 2022.
As a result of the settlement, on November 28, 2022, of the own shares purchase transaction, the Company acquired a total of 350,000 (say: three hundred and fifty thousand) own shares, with a nominal value of PLN 1.00 each, which in total constitute 14.86% of the company's share capital. These shares correspond to 350,000 votes at the General Meeting of the Company, which constitutes 14.85% of votes at the General Meeting of the Company. The purchase price was PLN 36.00 (say: thirty six Zlotys) per share.
The shares were acquired as part of the invitation to submit offers for the sale of no more than 350,000 Company shares with a nominal value of PLN 1.00 announced by the Company on November 7, 2022 (current report No. 23/2022).

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

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

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

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

**Changing the rights from the isssuer's securities**

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

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

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

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

2. On August 19, 2022, the Management Board of Prochem S.A. (hereinafter referred to as the Company) received information from the shareholder of the Company, Mr. Steven Tappan, about a change in the share held so far in the total number of votes at the general meeting of the Company. The change results from the reduction of the share capital from PLN 2,935,000 to PLN 2,355,000 by way of redemption of 580,000 shares of the Company with a nominal value of PLN 1 each.
Before the change, Mr. Steven Tappan held 1,000,000 shares in the Company, which constituted 34.07% of the share capital and held 1,000,000 votes from these shares, which constituted 33.1% of the total number of votes at the General Meeting.
After the change, Mr. Steven Tappan holds 1,000,000 shares of the Company, which constitutes 42.46% of the share capital and holds 1,000,000 votes from these shares, which constitutes 42.4% of the total number of votes at the General Meeting.

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

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

## Note 14 – Revaluation Reserve

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| **As at opening balance sheet** | 6 513 | 7 043 |
| Actuarial gains/ losses on valuation of provisions for employee benefits | 61 | -105 |
| Updating of non-current assets | 908 | -742 |
| Other changes | -4 118 | 317 |
| **As at closing balance sheet** | **3 364** | **6 513** |

## Note 15 - Retained Earnings

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| Spare capital | 75 701 | 54 590 |
| Other capital reserve | 9 569 | 30 310 |
| Profit for the previous period | -603 | -773 |
| Profit for the period | 23 | 6 143 |
| **Total** | **84 691** | **90 270** |

## 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 Group does not have any other pension programs.

In accordance with the Remuneration Regulations applicable in the Companies from the Group, employees 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 cost (of salary),
- 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, 2022.

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, 2022:

- weighted average turnover ratio overall: 6.86% - 8.91%, including for traineeship > 3 years 5.06% - 5.76%, depending on the Company
- weighted average probability of death: 0.003660 – 0.006823 depending on the Company (based on the tables of the Central Statistical Office GUS PTTŻ 2021 which were reduced to 30% or 40% depending on the Company)
- weighted average probability of total disability: 0.001106 – 0.006209 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: 4.78% - 6.82% depending on the length of obligations, type of benefit and the Company 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 31-12-2022: 6.87% - 6.89% depending on the Company.

For comparison, analogously averaged values of ratios determined on the basis of actuarial assumptions, which were adopted for the calculation of provisions as at 31-12-2021:

- weighted average turnover ratio: overall 6.74% - 9.64%, including for traineeship > 3 years 4.83% - 6.01%
- weighted average probability of death: 0.003532 – 0.008802
- weighted average probability of total disability: 0.001056 – 0.003122
- average annual growth of benefit bases: 2.20% - 5.43%
- average interest rate used for discounting: 3.55% - 3.56%

Change in provisions for retirement and disability benefits and jubilee awards

| Description | In 2022 | | | In 2021 |
|---|---|---|---|---|
| | Benefits | Awards | Total | Total |
| **Opening balance sheet for provisions for benefit** | **1 208** | **1 330** | **2 538** | **2 424** |
| Benefits paid (-) | -114 | -147 | -261 | -364 |
| Interest cost | 42 | 43 | 85 | 43 |
| Current employment cost /current write-down / | 69 | 104 | 173 | 176 |
| Actuarial losses(gains) | -82 | -20 | -102 | 262 |
| Past employment costs | 0 | 0 | 0 | -3 |
| Effects of sale / purchase / merger of Companies | 0 | 0 | 0 | 0 |
| **Closing balance for provisions for benefits** | **1 123** | **1 310** | **2 433** | **2 538** |
| *Including current provision* | *94* | *207* | *301* | *227* |
| *Including non-current provision* | *1029* | *1103* | *2132* | *2311* |

Breakdown of actuarial gains/losses

| Description | In 2022 | | | In 2021 |
|---|---|---|---|---|
| | Benefits | Awards | Total | Total |
| Actuarial gains (losses) 'ex post' | 87 | 101 | 188 | 85 |
| Actuarial gains (losses)from the update of demographic assumptions | 48 | -4 | 44 | 12 |
| Actuarial gains (losses) from update of financial assumptions | -217 | -117 | -334 | 165 |
| **Total actuarial gains (losses)** | **-82** | **-20** | **-102** | **262** |

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

- recognized in profit or loss:

| Description | In 2022 | | | In 2021 |
|---|---|---|---|---|
| | Benefits | Awards | Total | Total |
| Current employment cost /current write-down/ | -69 | -104 | -173 | -176 |
| Past employment cost | 0 | 0 | 0 | 3 |
| Interest cost | -42 | -43 | -85 | -43 |
| Actuarial gains (losses) under other non-current benefits | 0 | 20 | 20 | -135 |
| **Total gain (loss)** | **-111** | **-127** | **-238** | **-351** |

- Recognized in other comprehensive income:

| Description | In 2022 | | In 2021 |
|---|---|---|---|
| Actuarial gains (losses) under post-employment benefits | 82 | | -127 |

Benefits maturity profile

| Period | Flows | Breakdown of provisions |
|---|---|---|
| 2023 | 316 | 301 |
| 2024 | 320 | 263 |
| 2025 | 241 | 186 |
| 2026 | 239 | 164 |
| 2027 | 212 | 138 |
| ≥ 2028 | 11 087 | 1 381 |
| **Total** | **12 415** | **2 433** |
| PV / duration | 4 170 | 12.93 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. | Provision after change | | Change in p.p. | Provision after change | | Change in p.p. | Provision after change |
| -1.0% | 2 640 | | -20% | 2 555 | | -1.0% | 2 254 |
| -0.5% | 2 532 | | -10% | 2 491 | | -0.5% | 2 340 |
| **0.0%** | **2 433** | | **0%** | **2 433** | | **0.0%** | **2 433** |
| 0.5% | 2 341 | | 10% | 2 378 | | 0.5% | 2 532 |
| 1.0% | 2 255 | | 20% | 2 327 | | 1.0% | 2 638 |

***Note 17 - Other Non-current Liabilities***

| **Other non-current liabilities** | **31 December 2022** | **31 December 2021** |
|---|---|---|
| - capital unpaid | - | - |
| - security deposits retained | 6 | 81 |
| - other | 147 | 62 |
| **Total non-current liabilities** | **153** | **143** |

## Note 18 – Current Bank Loans

| | **31 December 2022** | **31 December 2021** |
|---|---|---|
| - loans | 1 624 | 3 704 |

Information on bank loans contracted

| Name of the bank | Registered office | Loan limit | Amount of engagement | Repayment date | Terms of interest | Security |
|---|---|---|---|---|---|---|
| By Elektromontaż Kraków S.A. | | | | | | |
| mBank S.A. | Warsaw | 1 500 | - | 01.03.2023 | WIBOR ON + margin | Mortgage + promissory note |
| ING BANK Śląski | Katowice | 3 000 | 440 | 19.11.2023 | WIBOR for 1-month deposits in PLN + margin | Mortgage + promissory note |
| By Pro-Inhut sp. z o.o. | | | | | | |
| ING Bank Śląski S.A. | Dąbrowa Górnicza | 734 | 735 | 17.05.2021 | WIBOR for 1-month deposits in PLN + margin | Bank BGK guarantee based on a portfolio agreement. A promissory note in blank. |
| ING Bank Śląski S.A. | Sosnowiec | 400 | 398 | 30.07.2021 | WIBOR for 1-month deposits in PLN + margin | Bank BGK guarantee based on a portfolio agreement. A promissory note in blank. |
| ING Bank Śląski S.A. | Sosnowiec | 200 | 51 | 30.07.2021 | WIBOR for 1-month deposits in PLN + margin | Bank BGK guarantee based on a portfolio agreement. A promissory note in blank. |

## Note 19 – Liabilities under Loans Received

| Liabilities under loans received | 31 December 2022 | 31 December 2021 |
|---|---|---|
| - non-current | - | 300 |
| - current | - | 400 |
| **Total loans received** | **-** | **700** |

## Note 20 – Trade Payables

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| a) to associated entities and jointly-controlled entities | - | 6 |
| - from supplies and services, with maturity period: | - | 6 |
| - up to 12 months | - | 6 |
| b) to other entities | 55 802 | 77 455 |
| - from supplies and services, with maturity period: | 55 802 | 77 455 |
| - up to 12 months | 55 802 | 77 455 |
| - above 12 months | - | - |
| **Total trade payables** | **55 802** | **77 461** |
| Non-current liabilities under seized security deposits | 8 761 | 9 020 |
| **Total trade payables** | **64 563** | **86 481** |

## Note 21 - Amounts due from Customers and Owed to Customers under Non-current Agreements

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| - amounts due from recipients under agreements | 41 194 | 14 996 |
| **Amounts due from recipients under non-current agreements** | **41 194** | **14 996** |

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| - amounts owed to recipients under agreements | 538 | 5 803 |
| **Amounts owed to recipients under non-current agreements** | **538** | **5 803** |

| **Description** | **As at 31 December 2022** | **As at 31 December 2021** |
|---|---|---|
| Revenues according to contracts | 1 611 306 | 917 129 |
| Revenues invoiced | 429 713 | 726 216 |
| Liabilities planned under execution of contracts | 1 510 892 | 853 158 |
| Fulfilled contractual obligations | 420 027 | 690 397 |
| Amounts due from recipients | 41 194 | 14 996 |
| Amounts owed to recipients | 538 | 5 803 |

## Note 22 – Other Liabilities

| | 31 December 2022 | 31 December 2021 |
|---|---|---|
| a) to other entities | 4 003 | 5 679 |
| - under taxes, duties, insurance and other benefits | 3 098 | 4 961 |
| - under remuneration | 656 | 452 |
| - other (by type) | 249 | 266 |
| Liabilities to employees | 6 | 24 |
| Liabilities to shareholders | 16 | 16 |
| Liabilities under lease | - | 28 |
| other | 227 | 198 |
| b) other non-current provisions | 6 068 | 6 726 |
| - provisions for costs accrued to the previous year related to long-term contracts | 1 377 | 3 716 |
| - provision to costs | 2 524 | 968 |
| - cost of audit | 69 | 48 |
| - current provision to retirement benefits | 301 | 227 |
| - provision for unused holiday leaves | 1 797 | 1767 |
| **Total other liabilities** | **10 071** | **12 405** |

### *Liabilities under lease*

| | Future minimum payments under lease | Interest | Current value | Future minimum payments under lease | Interest | Current value |
|---|---|---|---|---|---|---|
| **In PLN thousands** | **In 2022** | **In 2022** | **In 2022** | **In 2021** | **In 2021** | **In 2021** |
| Up to one year | 382 | - | 382 | 468 | 33 | 501 |
| 1 to 5 years | 268 | - | 268 | 649 | 23 | 672 |
| **Total** | **650** | **-** | **650** | **1 117** | **56** | **1 173** |

### *Liabilities under the right of use*

| In PLN thousands | Future minimum payments under lease In 2022 | Interest In 2022 | Current value In 2022 | Future minimum payments under lease In 2021 | Interest In 2021 | Current value In 2021 |
|---|---|---|---|---|---|---|
| Up to one year | 3 493 | 1 910 | 5 403 | 4 455 | 701 | 5 156 |
| 1 to 5 years | 14 461 | 5 127 | 19 588 | 12 440 | 1 703 | 14 143 |
| above 5 years | 12 760 | 1 250 | 14 010 | 8 648 | 1 130 | 9 778 |
| **Total** | **30 714** | **8 287** | **39 001** | **25 543** | **3 534** | **29 077** |

| **Liabilities under lease** | **31 December 2022** | **31 December 2021** |
|---|---|---|
| - non-current liabilities | 27 489 | 21 737 |
| - current liabilities | 3 875 | 4 923 |
| **Total liabilities under lease** | **31 364** | **26 660** |

## Note 23 - Deferred Income

| | **31 December 2022** | **31 December 2021** |
|---|---|---|
| - funding from PFR received | - | - |
| - advanced payments received | - | 459 |
| - other | 324 | 324 |
| **Deferred income at the end of the period, including:** | **324** | **819** |
| **Non-current liabilities** | **-** | **-** |
| **Current liabilities** | **324** | **819** |

## Note 24- Revenues from Sale of Services

| **Revenues from sale of services (type of service and type of activity)** | **In 2022** | **In 2021** |
|---|---|---|
| - revenues from sale of services, including: | **218 243** | **245 768** |
| - from related entities | 2 701 | 3 385 |

| **Revenues from sales (territorial structure)** | **In 2022** | **In 2021** |
|---|---|---|
| Domestic market | 218 243 | 245 759 |
| - including from related entities | 2 701 | 3 385 |
| Exports | - | 9 |

Revenues under contracts for construction services (general contracting) and other services are presented in Note 34. The gross amount due from ordering parties/buyers for the work under contracts was presented in Note 21.
Information on major customers, whose total value of revenues from sales of services exceeds 10% of total revenues of the Group for 2022 is included in Note 33.

## 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 2022 | In 2021 |
|---|---|---|
| Goods and materials | **3 579** | **2 080** |

| Revenues from sale of goods and materials (territorial structure) | In 2022 | In 2021 |
|---|---|---|
| Domestic market | 3 579 | 2 080 |

## Note 26 – Cost of services sold

| Costs by type | In 2022 | In 2021 |
|---|---|---|
| a) amortization and depreciation | 6 696 | 6 759 |
| b) consumption of material and energy | 36 804 | 26 402 |
| c) outsourcing | 127 358 | 158 444 |
| d) taxes and levies | 250 | 238 |
| e) remuneration | 39 196 | 36 585 |
| f) social security and other benefits | 8 623 | 7 339 |
| g) other costs by type (under) | 4 280 | 3 448 |
| - property and personal insurance | 1 254 | 1 027 |
| - business trips | 878 | 970 |
| - PFRON (State Fund for Rehabilitation of Disabled Persons) | 498 | 477 |
| - cars rental | 299 | 293 |
| - other | 1 351 | 681 |
| **Total costs by type** | **223 207** | **239 215** |
| Change in inventories, goods and prepayments | -871 | 3 780 |
| General and administrative expenses (negative value) | -16 462 | -14 899 |
| **Cost of services sold** | **205 874** | **228 096** |

## Note 27 - Other Operating Income

| | In 2022 | In 2021 |
|---|---|---|
| a) gain on sale of non-financial non-current assets | 2 096 | 44 |
| b) reversal of impairment allowances (due to) | - | 77 |
| - for receivables | - | 77 |
| c) other, including:: | 5 241 | 2 667 |
| - reimbursement of litigation costs | 47 | 123 |
| - received compensation, fines and penalties | 260 | 1 593 |
| - release of provision | 77 | - |
| - writing off expired liabilities | - | 16 |
| - revaluation income | 4 815 | 737 |
| - other | 42 | 198 |
| **Total other operating income** | **7 337** | **2 788** |

## Note 28 - Other Operating Expenses

| | In 2022 | In 2021 |
|---|---|---|
| a) Loss on disposal of non-financial non-current assets | - | - |
| b) impairment allowance (under) | 497 | 23 |
| - receivables | 497 | 23 |

| | | |
|---|---|---|
| c) other, including: | 323 | 882 |
| - donations | 1 | - |
| - litigation costs | 38 | 82 |
| - actuarial valuation of employee benefits | 1 | 8 |
| - paid damages, penalties and fines | 141 | 683 |
| - writing off bad debts | - | 33 |
| - provision for future liabilities | 36 | - |
| - other | 106 | 76 |
| **Total other operating expenses** | **820** | **905** |

## Note 29 - Financial Income

| | In 2022 | In 2021 |
|---|---|---|
| a) interest under loans granted | 356 | 457 |
| - from jointly-controlled entities | 356 | 457 |
| b) other interest | 398 | 1 |
| - from other entities | 398 | 1 |
| c) surplus of positive exchange rates | 969 | 64 |
| d) other, including: | 346 | 1 296 |
| - revenues under discounted non-current liabilities | 329 | 1 289 |
| - other | 17 | 7 |
| **Total financial income** | **2 069** | **1 818** |

## Note 30 – Finance Expenses

| | In 2022 | In 2021 |
|---|---|---|
| a) interest on bank loans | 244 | 64 |
| b) interest on loans | 3 | - |
| c) other interest | 1 750 | 1 020 |
| - for other entities | 131 | 25 |
| - under lease | 1 619 | 995 |
| d) surplus of positive exchange rates | 285 | 11 |
| e) other, including: | 1 307 | 1 501 |
| - commissions on bank guarantees | 861 | 719 |
| - commissions on loans | - | 55 |
| - costs of discounting financial assets | 50 | 89 |
| - costs of discounted non-current liabilities | 320 | 589 |
| - other expenses | 76 | 49 |
| **Total finance expenses** | **3 589** | **2 596** |

## Note 31 – Income Tax

| **Deferred income tax disclosed in the statement of profit and loss** | In 2022 | In 2021 |
|---|---|---|
| - decrease (increase) from arising and reversal of temporary differences | -519 | 445 |
| **Total deferred income tax** | **-519** | **445** |

### *Determining the effective tax rate*

| (in PLN thousands) | In 2022 | In 2021 |
|---|---|---|
| **Tax rate** | **19%** | **19%** |
| Profit for the period | 526 | 6 280 |
| Income tax | 652 | 1 868 |
| Before tax profit | 1 178 | 8 148 |
| Income tax at the applicable rate 19% | 224 | 1 548 |
| Revenues that are not tax revenues | -17 | -599 |
| Costs that are not tax deductible costs | 445 | 792 |
| Other | - | 127 |
| **Total income tax disclosed in the statement of profit and loss** | **652** | **1 868** |

## Note 32 – 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.
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 2022 | In 2021 |
|---|---|---|
| **Change in current receivables** | **3 873** | **-13 489** |
| Receivables as at 1 January | 87 288 | 75 099 |
| Amounts due from recipients under contracts as at 1 January | 14 996 | 13 163 |
| Other assets as at 1 January | 998 | 879 |
| Receivables under retained security deposits as at 1 January | 231 | 883 |
| **Opening balance sheet after adjustments** | **103 513** | **90 024** |
| Receivables as at 31 December | 51 511 | 87 288 |
| Amounts due from recipients under agreements as at 31December | 41 194 | 14 996 |
| Other assets as at 31 December | 4 784 | 998 |
| Receivables under retained security deposits as at 31December | 2 431 | 231 |
| Receivables for sold property, plant and equipment | -280 | |
| **Closing balance sheet after adjustments** | **103 513** | **103 513** |

| | | |
|---|---|---|
| **Change in current liabilities except for current borrowings and special funds** | **-28 057** | **2 332** |
| Trade payables as at 1 January | 77 461 | 60 951 |
| Other liabilities as at 1January | 12 405 | 8 501 |
| Amounts owed to suppliers under contracts as at 1 January | 5 803 | 20 486 |
| Liabilities under retained security deposits as at 1 January | 8 939 | 14 291 |
| Other non-current liabilities as at 1 January | 143 | |
| Provision for current retirement benefits | -229 | -359 |

| | | |
|---|---|---|
| Provisions for annual leaves | -1 767 | -1 720 |
| Provision for audit | -48 | -62 |
| Provision for current other costs | -1 579 | -1 757 |
| Investment commitments as of January 1 | -8 | -55 |
| Liabilities to shareholders | -14 | -15 |
| **Opening balance sheet after adjustments** | **101 106** | **100 261** |
| Trade payables as at 31 December | 55 802 | 77 461 |
| Amounts owed to recipients under contracts as at 31 December | 538 | 5 803 |
| Other liabilities as at 31 December | 10 071 | 12 405 |
| Liabilities under retained security deposits as at 31 December | 8 761 | 8 939 |
| Other non-current liabilities as at 31December | 153 | 143 |
| Provision to current retirement benefits | -301 | -229 |
| Provision to annual leaves | -1 797 | -1 767 |
| Provision to audit | -69 | -48 |
| Provision to current other costs | -9 | 1 579 |
| Investment commitments as of 31 December | -84 | -8 |
| Liabilities to shareholders | -16 | -14 |
| **Closing balance sheet after adjustments** | **73 049** | **101 106** |

| | | |
|---|---|---|
| **Change in other adjustments as at balance sheet date** | **22 883** | **1 392** |
| Change in deferred income – advances received | -495 | 447 |
| Change of the entity's status from jointly controlled to subsidiary - included cash | 23 662 | - |
| Sale of a subsidiary - exclusion of cash | -1 119 | - |
| Other | 945 | 945 |

## Note 33 – 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 2022, there were no revenues from activities generated by the Issuer outside Poland (Exports). In the analogous period of the previous year, these revenues amounted to PLN 9 thousand, which accounted for 0.01% of sales revenue.

Information on major customers of the Issuer, which share in the sales revenue recognized in consolidated profit and loss account for 2022 exceeded 10% of total revenues from sale:

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

- A customer involved in the production of chemical raw materials – sales revenue PLN 24 159 thousand, representing 11.07% of sales revenue, which was shown in the segment „General contracting" and „Design services and other engineering services".
- A customer involved in the production of fertilizers – sales revenue PLN 46 758 thousand, representing 21.42% 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 2022 | In 2021 |
|---|---|---|---|
| Poland | | 218 243 | 245 759 |
| Other countries | | - | 9 |
| | **24** | **218 243** | **245 768** |

*Current data*

| For the period from 01.01.2022 to 31.12.2022 | 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 | 105 063 | 44 719 | 398 | 59 400 | 4 850 | 3 579 | 1 375 | 2 438 | - | 221 822 |
| **Total segment revenues** | **105 063** | **44 719** | **398** | **59 400** | **4 850** | **3 579** | **1 375** | **2 438** | **-** | **221 822** |
| **Result** | | | | | | | | | | |
| **Profit (loss)of the segment** | **-8 494** | **1 245** | **-204** | **1 314** | **900** | **150** | **991** | **155** | **-** | **-3 943** |
| Financial income | | | | | | | | | 2 069 | 2 069 |
| Finance costs | | | | | | | | | 3 589 | 3 589 |
| Net financial revenues | | | | | | | | | -1 520 | -1 520 |
| Profit sharing in entities valued under the equity method | | | | | | | | | - | - |
| Profit (loss) on other operating activities | | | | | | | | | 6 641 | 6 641 |
| Before tax profit | | | | | | | | | 1 178 | **1 178** |
| Income tax | | | | | | | | | 652 | 652 |
| Profit for the current period | | | | | | | | | 526 | **526** |
| Loss assigned to non-controlling interest | | | | | | | | | 503 | **503** |
| **Profit for the period assigned to shareholders of parent entity** | | | | | | | | | 23 | **23** |
| Segment assets (related to activity) | 23 593 | 9 199 | 126 | 18 404 | 18 619 | - | 149 | - | - | 70 090 |
| Assets unallocated (among others shares and other financial assets) | | | | | | | | | 135 305 | 135 305 |
| **Total assets** | **23 593** | **9 199** | **126** | **18 404** | **18 619** | **-** | **149** | **-** | **135 305** | **205 395** |
| Liabilities of the segment (related to activity) | 27 832 | 2 308 | 60 | 17 597 | 16 519 | 214 | - | - | 48 471 | 113 001 |
| Equity of the owners of the parent entity | | | | | | | | | 90 060 | 90 060 |
| Non-controlling interest | | | | | | | | | 2 334 | 2 334 |
| **Total liabilities and equity** | **27 832** | **2 308** | **60** | **17 597** | **16 519** | **214** | **-** | **-** | **140 865** | **205 395** |
| Depreciation of property, plant and equipment | 393 | 1 559 | 43 | 994 | 1 750 | - | 26 | 119 | 1 774 | 6 658 |
| Amortization of intangible assets | - | - | - | 16 | - | - | - | - | 22 | 38 |
| Write-down of segment assets (receivables from supplies and services) | -264 | -22 | -2 794 | -1 630 | - | - | - | -18 | - | -4 728 |

*Comparative 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 |

## Note 34 - Profit per One Share

Net profit per 1 share remaining in trade as at balance sheet date 31 December 2022 is PLN 0.01 and in 2021 was PLN 2.61.

## Note 35 - 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 2021, in the amount of PLN 2 712 506.66 by Resolution No. 16 of the Ordinary General Meeting of June 27 2022 was entirely allocated to the supplementary capital.

*Proposed distribution of net profit for 2022*

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

## Note 36 - **Dividends**

The Issuer did not pay dividend for 2021.

## Note 37 - Financial Instruments and Financial Risk Management

### 37.1 Categories and Classes of Financial Instruments

***Financial assets***

| | | **Categories of financial instruments** | |
|---|---|---|---|
| (in PLN thousands) | | **Loans, receivables and other** | |
| **Classes of financial instruments** | **Note** | **31.12.2022** | **31.12.2021** |
| Trade receivables | 10 | 48 299 | 85 733 |
| Cash | | 36 880 | 14 394 |
| Loans granted | 8 | - | 17 000 |
| Other financial assets – security deposits securing bank guarantee granted | 11 | 7 962 | 8 658 |
| **Total** | | **93 141** | **125 785** |

***Financial liabilities***

**31 December 2022**

| | | **Categories of financial instruments** | |
|---|---|---|---|
| (in PLN thousands) | | **Financial liabilities measured at amortized cost** | **Total** |
| **Classes of financial instruments** | **note** | | |
| Loans | 18 | 1 624 | 1 624 |
| Borrowings received | 19 | - | - |
| Amounts owed to recipients under agreements | 21 | 538 | 538 |
| Trade payables | 20 | 64 563 | 64 563 |
| **Total** | | **66 725** | **66 725** |

**31 December 2021**

**Categories of financial instruments**

| (in PLN thousands) | | Financial liabilities measured at amortized cost | Total |
|---|---|---|---|
| **Classes of financial instruments** | **note** | | |
| Loans | 18 | 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** |

**Impairment allowances of financial assets by classes of financial instruments**

| (in PLN thousands) | As at 31 December 2022 | 31 December 2021 |
|---|---|---|
| Trade receivables | 4 728 | 4 261 |
| **Total** | **4 728** | **4 261** |

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.

## 37.2. Financial Risk Management

The Group's operations are exposed to the following risks:
- credit risk;
- liquidity risk;
- market risk (including currency risk, interest rate risk);
- capital risk.

***Credit risk***

The Group while conducting business activities sells services to business entities with deferred payment, as a result of which there may be a risk of not receiving a payment from contractors for the services provided. In order to minimize the credit risk, the Group manages the risk through the obligatory procedure of obtaining collateral.
The assumed period of receivables repayment related to the normal course of sales is 14-60 days.
Amounts due from contracting parties are regularly monitored by the financial services. In case of overdue amounts the procedures of vindication are started.
The age analysis of trade receivables, which are overdue on the end of the reporting period, but in case of which no impairment occurred, is presented in Note No. 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, 2022 and December 31, 2021 the index ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.98 and 1.28.
Detailed information regarding loans is disclosed in Note 18.
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). 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 2022***

| (in PLN thousands) | EUR | USD | NOK | Other in PLN | Total after translation into PLN |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Receivables from supplies and services | 392 | 719 | - | - | 5 008 |
| Cash | 1 468 | 657 | 88 | 7 | 9 828 |
| **Total** | **1 860** | **1 376** | **88** | **7** | **14 836** |
| **Financial liabilities** | | | | | |
| Trade payables | 626 | 157 | - | - | 3 628 |
| **Total** | **626** | **157** | **-** | **-** | **3 628** |

***Exposure to currency risk as at 31 December 2021***

| (in PLN thousands) | EUR | USD | NOK | Other in PLN | Total after translation into PLN |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Receivables from supplies and services | 691 | - | - | - | 3 178 |
| Cash | 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** |

*Analysis of sensitivity to currency risk as at December 31, 2022*

| (in PLN thousands) | Increase in exchange rate | Total impact on before tax profit | Drop in the exchange rate | Total impact on before tax profit |
|---|---|---|---|---|
| EUR/PLN | 15% | -31 | 15% | 31 |
| USD/PLN | 15% | 321 | 15% | -321 |
| **Total impact** | | **290** | | **-290** |

*Analysis of sensitivity to currency risk as at December 3, 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** |

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

Revenues in foreign currency achieved in the currency in the years 2022 and 2021 were as follow:

| currency | revenues | | Average exchange rate for sales | | expenses | | Average exchange rate for purchases | |
|---|---|---|---|---|---|---|---|---|
| (in thousands) | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| EUR | 2 514 | 2 830 | 4.6824 | 4.5823 | 3 178 | 4 513 | 4.6848 | 4.5551 |
| USD | 1 522 | - | 4.6770 | - | 272 | - | 4.6742 | - |
| CHF | - | - | - | - | 2 | - | 4.4326 | - |

Analysis of the impact of potential change in value of financial instruments as at December 31, 2022 on the gross financial result in connection with hypothetical change in foreign currency exchange rates in relation to the Polish Zloty/functional currency.
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 2022 would increase or decrease by PLN 118 thousand, and in 2021 by PLN 130 thousand, which would have an impact on before tax profit, while costs would increase in 2022 by PLN 149 thousand, and in 2021 by PLN 206 thousand.
The above deviations were calculated on the basis of historical fluctuation for particular currencies and forecasts.
Sensitivity of financial instruments for currency risk was calculated as the difference between the initial book value of financial instruments and its potential book value at assumed increase/drop in exchange 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***

| | WIBOR | | Fixed rate of interest | |
|---|---|---|---|---|
| (in PLN thousands) | **31.12.2022** | **31.12.2021** | **31.12.2022** | **31.12.2021** |
| **Financial assets** | | | | |
| Loans granted | - | 11 000 | - | 6 000 |
| **Financial liabilities** | | | | |
| Loan | 440 | 3 704 | - | - |

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

| | **Fluctuations assumed** | | **impact (in PLN thousands)** | |
|---|---|---|---|---|
| (in PLN thousands) | **31.12.2022** | **31.12.2021** | **31.12.2022** | **31.12.2021** |
| **Financial assets** | | | | |
| WIBOR | +50 base point | +50 base point | - | 55 |
| **Financial liabilities** | | | | |
| Loan | +50 base point | +50 base point | (2) | (19) |

*Capital risk*

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

Note 38 - 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 2022 key management personnel and persons related to key management personnel, in addition to remuneration did not conclude other transactions with the Issuer and the Companies from the Capital Group.

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

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

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

1. Marek Garliński PLN 96 thousand
2. Karol Żbikowski PLN 60 thousand
3. Andrzej Karczykowski PLN 60 thousand,

4. Wiesław Kiepiel PLN 60 thousand,
5. Jarosław Stępniewski PLN 170.9 thousand,

Remuneration paid to the Members of the Supervisory Board and the Members of the Management Board and in 2022 for performing the functions in the Management Boards and the Supervisory Boards of the companies from the Capital Group:

1. Krzysztof Marczak PLN 132.6 thousand
2. Marek Garliński PLN 87.6 thousand
3. Jarosław Stępniewski PLN 103.6 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 39.

**Reporting period**
(in PLN thousands)
**from 1 January 2022 to 31 December 2022**

| | Sale of services | Purchase of services | Financial income – interest on loans | Financial income - dividends received |
|---|---|---|---|---|
| Jointly-controlled entities and associated entities | 2 675 | 1 947 | 356 | 31 562 |

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 2022**

| | Trade and other receivables | Receivables under loans granted | Trade payables |
|---|---|---|---|
| Jointly-controlled entities and associated entities | 7 | - | - |

**Comparative period**
(in PLN thousands)

**from 1January 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 |

**As at 31 December 2021**

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

Revenues from the sale of services to jointly-controlled entities and associated entities in 2022 and 2021 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 2022 the costs relate to the rental of office space.

## Note 39 - 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:

| | 31.12.2022 | 31.12.2021 |
|---|---|---|
| **Collateral granted** | | |
| Bank guarantee of the good performance | 66 362 | 31 143 |
| Guarantee of reimbursement of advance payment | 69 | 3 363 |
| Guarantee of payment | 1 163 | 1 058 |
| Tender guarantee | 0 | 25 |
| **Total collateral granted** | **67 594** | **35 589** |
| **Contingent liabilities** | | |
| Surety for the return of advance payment in the Group | - | - |
| **Total collateral granted and contingent liabilities** | **67 594** | **35 589** |

**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 2022 | 31 December 2021 |
|---|---|---|
| Bank guarantee of good performance | 16 326 | 20 519 |
| Promissory note guarantees securing the terms of the contract | 450 | 450 |
| **Total contingent assets** | **16 776** | **20 969** |

## Note 40 - Information on Significant Proceedings Pending before the Court
Did not occur

## Note 41 - Events after Reporting Date

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

## Nota 42 - 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 Kierznicki – 44,327 pcs.;
- Krzysztof Marczak –30,268 pcs.;
- Marek Garliński – 27,977 pcs.;
- Andrzej Karczykowski – 27,952 pcs.;
- Jarosław Stępniewski – 50,206 pcs.;

The nominal value of 1 share is PLN 1.

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

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

**Note 43- Information on the agreement with the entity authorized to audit the Issuer's financial statements, approval of the financial statements**

On the basis of the resolution of the Supervisory Board of Prochem S.A. of May 20, 2020 on the selection of an auditor on June 9, 2020, an agreement was concluded with the entity authorized to audit financial statements, Misters Audytor Adviser sp. z o. o. for the audit and review of the separate and consolidated financial statements of Prochem S.A. The contract was concluded for the audit of the financial statements for 2020, 2021 and 2022. The total amount of remuneration for Misters Audytor Adviser sp. z o. o. resulting from the agreement is PLN 30,400 net for the review of financial statements for 2022 and PLN 58,400 for the audit of financial statements for 2022.

**Note 44- Approval of the Financial Statements**

Consolidated Financial statements of the Prochem S.A. Capital Group for 2022 were approved for issue by the Management Board of the Parent Entity on April 28, 2023.

**Signatures of the Members of the Management Board**

| | | | |
|---|---|---|---|
| 28 April 2023 | Marek Kierszniki | President of the Management Board | …………………….. |
| date | First name and surname | position | signature |
| 28 April 2023 | Krzysztof Marczak | Vice President of the Management Board | …………………….. |
| date | First name and surname | position | signature |
| 28 April 2023 | Michał Dąbrowski | Member of the Management Board | …………………….. |
| date | First name and surname | position | signature |

**Signature of the person responsible for bookkeeping**

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