

PROCHEM S.A. CAPITAL GROUP

**CONSOLIDATED QUARTERLY REPORT
FOR THE FIRST QUARTER OF 2024**

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

www.prochem.com.pl

Selected financial data

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

- For the first quarter of 2024 - 4.3211 PLN/EUR
- For the first quarter of 2023 - 4.7005 PLN/EUR

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

- 4.3009 PLN/EUR as at 31 March 2024
- 4.3480 PLN/EUR as at 31 December 2023

Selected financial data of the Prochem S.A. Capital Group

Description	Reporting period ended 31 March		Reporting period ended 31 March	
	2024	2023	2024	2023
	In PLN thousands		In EUR thousands	
Consolidated statement of profit and loss				
Revenues from sale	45 322	60 512	10 489	12 874
Gross profit on sales	4 239	-329	981	-70
Results from operating activities	-150	1 129	-35	240
Before tax profit	-1 029	297	-238	63
Profit for the period assigned to:	-2 389	152	-553	32
Shareholders of the Parent Entity	-2 406	168	-557	36
Non-controlling interest	17	-16	4	-3
Profit/diluted profit (in PLN/EUR) per one ordinary share – assigned to shareholders of the Parent Entity	-1.20	0.08	-0.28	0.02
Consolidated statement of cash flows				
Net cash provided by (used in) operating activities	-2 315	-2 132	-536	-454
Net cash provided by (used in) investing activities	-332	-189	-77	-40
Net cash provided by (used in) financing activities	779	873	180	186
Total cash flows, net	-1 868	-1 448	-432	-308
	As at		As at	
Description	31 March 2024	31 December 2023	31 March 2024	31 December 2023
	In PLN thousands		In EUR thousands	
Consolidated statement of financial position				
Total assets	148 919	159 780	34 625	36 748
Total non-current assets	66 251	68 911	15 404	15 849
Total current assets	82 668	90 869	19 221	20 899
Equity attributable to shareholders of the parent entity	62 692	64 879	14 576	14 921
Non-controlling interest	1 701	2 106	396	484
Total equity	64 393	66 985	14 972	15 406
Total non-current liabilities	31 636	33 117	7 356	7 617
Total current liabilities	52 890	59 678	12 297	13 725
Book value per one ordinary share (in PLN/EUR)- assigned to shareholders of the parent entity	31.27	32.36	7.27	7.44
Weighted average number of shares (in pcs.)	2 005 000	2 005 000	2 005 000	2 005 000

Selected financial data

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Selected financial data of Prochem S.A.

Description	Reporting period ended 31 March		Reporting period ended 31 March	
	2024	2023	2024	2023
	In PLN thousands		In EUR thousands	
<i>Separate statement of profit and loss</i>				
Revenues from sale	21 734	48 532	5 030	10 325
Gross profit on sales	1 773	-1 990	410	-423
Results from operating activities	-848	1 185	-196	252
Before tax profit	-1 389	722	-321	154
Profit for the period	-2 400	585	-555	124
Profit/diluted profit per one share (in PLN/EUR)	-1.20	0.29	-0.28	0.06
<i>Separate statement of cash flows</i>				
Net cash provided by (used in) operating activities	-1 330	-5 987	-308	-1 274
Net cash provided by (used in) investing activities	-649	1 199	-150	255
Net cash provided by (used in) financing activities	531	-1 062	123	-225
Total cash flows, net	-1 448	-5 850	-335	-1 245
<i>Separated statement of financial position</i>				
Description	As at		As at	
	31 March 2024	31 December 2023	31 March 2024	31 December 2023
	In PLN thousands		In EUR thousands	
Total assets	102 324	114 654	23 791	26 369
Total non-current assets	57 598	58 828	13 392	13 530
Total current assets	44 726	55 826	10 399	12 839
Total equity	35 794	38 194	8 322	8 784
Total non-current liabilities	34 389	35 101	7 996	8 073
Total current liabilities	32 141	41 359	7 473	9 512
Book value per one ordinary share (in PLN/EUR)	17.85	19.05	4.15	4.38
Weighted average number of shares (in pcs.)	2 005 000	2 005 000	2 005 000	2 005 000

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Quarterly financial information of Prochem S.A.

Interim condensed consolidated financial statement of the Capital Group of PROCHEM S.A. prepared in accordance with the International Financial Reporting Standards approved by the EU as at and for the period ended March 31, 2024

Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	Note No.	31 March 2024	31 December 2023
A s s e t s			
Non-current assets			
Property, plant and equipment	1	15 010	15 353
Intangible assets		33	38
Investment property	2	12 124	12 219
Right-of-use assets	3	24 474	25 693
Shares	4	830	830
Shares in equity-accounted investees	5	-	-
Deferred tax assets	6	7 627	8 624
Receivables under retained security deposits		1 184	1 185
Other financial assets	7	4 969	4 969
Total non-current assets		66 251	68 911
Current assets			
Inventories	8	413	2 762
Trade and other receivables	9	34 755	37 672
Receivables under current income tax		191	202
Amounts due from recipients under contracts	16	32 836	34 126
Other financial assets	10	596	596
Other assets	11	1 572	1 338
Cash and cash equivalents		12 305	14 173
Total current assets		82 668	90 869
Total assets		148 919	159 780

Consolidated statement of financial position

(all amounts in PLN thousands if not stated otherwise)

Equity and liabilities	Note No.	31 March 2024	31 December 2023
Equity			
Share capital	12	2 005	2 005
Own shares		-	-
Revaluation reserve		3 384	3 384
Retained earnings	13	57 303	59 490
Owner's equity		62 692	64 879
Non-controlling interest		1 701	2 106
Total equity		64 393	66 985
Non-current liabilities			
Provision to deferred income tax	6	1 373	1 446
Liabilities under retirement and similar benefits		2 241	2 257
Non-current liabilities under retained security deposits	15	4 611	4 486
Non-current liabilities under lease	17	23 358	24 871
Other non-current liabilities		53	57
Total non-current liabilities		31 636	33 117
Current liabilities			
Current bank loans	14	4 928	2 552
Trade payables	15	30 821	34 123
Amounts owed to recipients under contracts	16	2 500	7 066
Liabilities under current income tax		311	334
Current liabilities under lease	17	4 127	3 823
Other liabilities	17	10 182	11 490
Deferred income	18	21	290
Total current liabilities		52 890	59 678
Total liabilities		84 526	92 795
Total equity and liabilities		148 919	159 780
Book value – equity assigned to owners of the Parent Entity		62 692	64 879
Average number of ordinary shares (in pcs.)		2 005 000	2 005 000
Book value per one share (in PLN) – assigned to owners of the Parent Entity		31.27	32.36

Consolidated statement of profit and loss

(all amounts in PLN thousands if not stated otherwise)

	Note No.	Period ended 31 March 2024	Period ended 31 March 2023
Revenues from sale, including:		45 322	60 512
Revenues from sale of services	19	45 292	59 993
Revenues from sale of goods and materials	20	30	519
Cost of sales, including:		-41 083	-60 841
Cost of services sold	21	-41 055	-60 447
Cost of merchandise and raw materials		-28	-394
Gross profit on sales		4 239	-329
General and administrative expenses	21	-4 369	-3 988
Other operating income	22	58	5 597
Other operating expenses	23	-78	-151
Results from operating activities		-150	1 129
Financial income	24	167	233
Profit on sale of all or part of shares in subsidiary		-	-
Finance expenses	25	-1 046	-1 065
Profit sharing in associated entities		-	-
Before tax profit		-1 029	297
Income tax expense:	26	1 360	145
- current tax		436	-
- deferred tax		924	145
Profit for the period		-2 389	152

Profit for the period assigned to:

Shareholders of the Parent Entity	-2 406	168
Non-controlling interest	17	-16
Weighted average number of ordinary shares (in pcs.)	2 005 000	2 005 000
Profit (loss) per one ordinary share (in PLN per share) assigned to owners of the Parent Entity	-1.20	0.08

Consolidated statement of comprehensive income

	Period ended 31 March 2024	Period ended 31 March 2023
Profit for the period	-2 389	152
Other comprehensive income net	-	-
Total comprehensive income	-2 389	152

Total comprehensive income assigned to:

Shareholders of the Parent Entity	-2 406	168
Non-controlling interest	17	-16
Weighted average number of ordinary shares (in pcs.)	2 005 000	2 005 000
Total comprehensive income per one ordinary share (in PLN per one share) assigned to owners of the Parent Entity	-1.20	0.08

Consolidated statement of changes in equity

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Own shares	Revaluation reserve	Retained earnings	Equity assigned to shareholders of the parent entity	Equity assigned to non-controlling interest	Total equity
Reporting period from 1 January 2024 to 31 March 2024							
As at the beginning of the period	2 005	-	3 384	59 490	64 879	2 106	66 985
Net profit of the given period	-	-	-	-2 406	-2 406	17	-2 389
<i>Other comprehensive income (net)</i>	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-2 406	-2 406	17	-2 389
Other changes	-	-	-	219	219	-422	-203
As at the end of the period	2 005	-	3 384	57 303	62 692	1 701	64 393
Reporting period from 1 January 2023 to 31 March 2023							
As at the beginning of the period	2 355	-350	3 364	84 691	90 060	2 334	92 394
Net profit of the given period	-	-	-	168	168	-16	152
<i>Other comprehensive income (net)</i>	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	168	168	-16	152
Other changes	-	-	-	-350	-350	-20	-370
As at the end of the period	2 355	-350	3 364	84 509	89 878	2 298	92 176
Reporting period from 1 January 2023 to 31 December 2023							
As at the beginning of the period	2 355	-350	3 364	84 691	90 060	2 334	92 394
Net profit of the given period	-	-	-	-24 483	-24 483	135	-24 348
<i>Other comprehensive income (net)</i>	-	-	20	-	20	-2	18
Total comprehensive income	-	-	20	-24 483	-24 463	133	-24 330
Dividend paid to non-controlling interest	-	-	-	-	-	-231	-231
Other changes – redemption of own shares of Prochem S.A.	-350	350	-	-	-	-	-
Other changes	-	-	-	-718	-718	-130	-848
As at the end of the period	2 005	-	3 384	59 490	64 879	2 106	66 985

Consolidated statement of cash flows

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 March 2024	Period ended 31 March 2023
Cash flows – operating activities		
Before tax profit	-1 029	297
Total adjustments	-839	-1 993
Amortization and depreciation	1 612	1 673
Interest and profit sharing (dividends)	555	637
Change in provisions	-105	-175
Change in inventories	2 349	-178
Change in receivables and other assets	3 949	-15 788
Change in current liabilities except for loans and borrowings	-8 966	11 899
Other adjustments (including change in deferred income)	-233	-61
Cash provided by (used in) operating activities	-1 868	-1 696
Income tax paid	447	436
Net cash provided by (used in) operating activities	-2 315	-2 132
Cash flows – investing activities		
Disposal of intangible assets and property, plant and equipment	6	-
Inflow from sale of shares in related entity	25	-
Acquisition of intangible assets and property, plant and equipment	-160	-78
Acquisition of shares in subsidiary	-203	-111
Net cash provided by (used in) investing activities	-332	-189
Cash flows – financing activity		
Bank loan	2 376	2 593
Interest and commission paid	-78	-44
Payment of liabilities under lease	-1 519	-1 676
Net cash provided by (used in) financing activity	779	873
Total cash flows, net	-1 868	-1 448
Increase/(decrease)in cash and cash equivalents net	-1 868	-1 448
Cash and cash equivalents at the beginning of the period	14 173	36 880
Cash and cash equivalents at the end of the period	12 305	35 432
Including restricted cash	823	851

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

1. Establishment of the Parent Entity and Its 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.

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

Country of registration: Poland

Name change: was not

Address of conducting business activity: Warszawa (02-457), ul. Łopuszańska 95

2. The Management Board and Supervisory authorities of the Issuer

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

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

In the period from January 1st, 2024 to March 31st 2024 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 hereby consolidated financial statements, comprises the following persons:

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

In the period from January 1st, 2024 to March 31st 202 there was no change in the composition of the Supervisory Board of the Company.

3. Employment

In the first quarter of 2024 average employment was 324.96 FTEs and in 2023 348 FTEs. Level of employment in persons as at 31 March 2024 was 336 and as at 31 March 2023 358.

4. Description of the Capital Group with indication of the consolidated entities

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%);
- PKI PREDOM Sp. z o.o. z seated in Wrocław – subsidiary indirectly (91.4% of share in capital and profit, 91.4% in votes), including 85.7% of share in capital and voting rights holds Prochem Inwestycje subsidiary in 100%;
- Prochem Zachód Sp. z o.o. seated in Warsaw - subsidiary directly (100%);
- Elektromontaż Kraków S.A. seated in Krakowie – subsidiary indirectly (91.8%), including 57.49% of share in capital and voting rights holds Prochem Inwestycje subsidiary in 100%.;
- Prochem RPI Sp. z o.o. seated in Warsaw - subsidiary in 100% (including 3.3% of share in capital and voting rights holds Prochem Inwestycje);
- 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 in capital and profit holds directly Prochem S.A., and 23.3% holds Prochem RPI Sp. z o.o. subsidiary in 100%) – value covered by an impairment loss - the company does not conduct business.

Subsidiaries covered by consolidation have been included in the consolidated financial statements from the date of including the control until the date of loss of control by the Parent Entity, and the jointly-controlled entities and associated entities from the date of exercising of joint control and exertion of significant influence.

On January 10, 2024, Prochem S.A. acquired 32 shares of Prochem Zachód Sp. z o. o. based in Warsaw from the bankruptcy trustee of Przedsiębiorstwo-Uslugowe Interbud West spółka z o. o. seated in Gorzów Wielkopolski. The value of the transaction amounted to PLN 203 thousand. As a result of the transaction, Prochem S.A. became the only shareholder of Prochem Zachód Sp. z o. o.

5. Adopted accounting principles and statement of compliance

Statement on compliance and reliability of the prepared financial statements

Interim condensed consolidated financial statements of PROCHEM S. A. Capital Group for the first quarter of 2024 was prepared according to IAS 34 „Interim Reporting”, in the shape endorsed by the European Union and with Regulation of the Minister of Finance of 19 February 2009 on current and periodic information provided by issuers of securities and Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and conditions for recognition as equivalent an information required by the law of a non-Member State (Official Journal of 2018 item 757) („Regulation”) and presents fairly and clearly the financial and property position as at March 31, 2024 and comparative data as at December 31, 2023, as well as the results of this activity for the 3-month period ended March 31, 204 and comparative data for the 3-month period ended March 31, 2023 and cash flows for the three months ended March 31, 2024 and March 31, 2023.

Interim condensed financial statements of Prochem S. A. Capital Group as at 31 March 2024 were prepared at assuming to continue business operations as a going concern in the foreseeable future. As at

the date of approval of these interim condensed consolidated financial statements, there are no circumstances identified implying any threats to the continued activity of the Group. Duration of the Parent Company and entities comprising the Prochem S.A. Group is indefinite. Hereby interim condensed consolidated financial statements, with the exception of the consolidated cash flow statement, have been prepared on the accrual basis.

Principle of presentation

Interim condensed consolidated financial statements hereby do not contain information and disclosures required in full financial statements and should be read in conjunction with the consolidated financial statements for the financial year ended 31 December 2023.

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

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

Operational activity of the Parent Company and of 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 a large extent depends on weather conditions. Weather conditions have an impact on the volume of the revenues generated in these segments. Lower revenues are achieved during the winter season, when weather conditions do not allow for execution of some construction work.

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

Changes in accounting estimates and in 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 consolidated financial statements of the Prochem S.A. Capital Group for the year ended 31 December 2023.

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

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

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

6. Functional currency and presentation currency of the financial statements

The consolidated financial statements are presented in thousands of Polish zlotys ("zloty" or "PLN"), which are the functional currency of the Parent Entity the reporting currency.

The financial result and financial situation of the Delegation Office are translated using the following procedures:

- assets and liabilities are translated at the closing rate on the date of the statement of financial position,
- revenues and costs are translated at the average exchange rate on the transaction date, and

- the resulting exchange rate differences are recognized in the statement of profit and loss.

7. Foreign currency transactions

Transactions in foreign currencies are initially recognized at the NBP exchange rate applicable on the transaction date. Carrying amounts of assets and liabilities expressed in foreign currency are valued at the average exchange rate of the National Bank of Poland as of the balance sheet date. Profits and losses arising from the settlement of these transactions and the balance sheet valuation of assets and liabilities expressed in foreign currency are recognized in the statement of profit and loss.

8. 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 Group 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 financial statements, the Group of Prochem S.A. sees no threat to continue operations as a going concern for the Group.

9. Explanatory notes to interim consolidated financial statements as at and for the period of three months ended 31 March 2024

Note 1 - Property, Plant and Equipment

	31 March 2024	31 December 2023
Property, plant and equipment, including:	12 873	13 365
- land	1 873	1 881
- buildings, premises and civil engineering objects	9 062	9 278
- machinery and equipment	701	843
- machinery and equipment	928	1 027
- other PPE	309	336
PPE in-progress	2 137	1 988
Total property, plant and equipment	15 010	15 353

Property, plant and equipment – ownership structure	31 March 2024	31 December 2023
a) own	4 661	4 823
b) under rental, lease or other agreement, including	10 349	10 530
- lease agreement	461	604
- rent	8 896	8 926
- value of the right of perpetual usufruct	992	1 000
Total balance sheet items of property, plant and equipment	15 010	15 353

The Group, pursuant to an agreement dated 23 July 2004 leases property consisting of 3 buildings, 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 March 31, 2024 does not differ substantially from the fair value. The fair value as at December 31, 2023 was determined on the basis of a valuation prepared by independent experts not related to the Group. The appraisers are qualified to carry out valuations of land, buildings and structures, as well as current experience in such valuations made in locations where the Group's assets are located.

	Change in property, plant and equipment for the period from 1 January 2024 to 31 March 2024	Change in property, plant and equipment for the period from 1 January 2023 to 31 March 2023.
Gross value		
As at opening balance sheet	37 235	35 889
Increase (due to)	146	2 838
- acquisition of non-current assets	160	2 838
- revaluation of non-current assets	-14	0
Decrease (due to)	-142	-1 492
- disposal of non-current assets	-33	-384
- liquidation of non-current assets	-109	-389
- revaluation of non-current assets	-	12
- change – sale of subsidiary	-	-742
- change	-	11

As at closing balance sheet	37 239	37 235
Depreciation and impairment		
As at opening balance sheet – accumulated depreciation	21 882	21 120
Depreciation for the period (under)	347	762
- increase (accrued depreciation)	489	1 966
- decrease under disposal of non-current assets	-33	-377
- decrease under liquidation of non-current assets	-109	-359
- changes – sale of subsidiary	0	-491
- other changes	0	-7
As at closing balance sheet – accumulated depreciation	22 229	21 882
Impairment of non-current assets	-	-
Net value of non-current assets as at the end of balance sheet period	15 010	15 353

Note 2 – Investment Property

	31 March 2024	31 December 2023
Buildings and constructions	7 718	7 813
Land	4 406	4 406
Total investment property	12 124	12 219

Investment property by titles	Change in investment property for the period from 1 January 2024 to 31 March 2024	Change in investment property for the period from 1 January 2023 to 31 December 2023
Investment property – land		
As at opening balance sheet:	4 406	4 406
- decrease	-	-
As at closing balance sheet	4 406	4 406
Investment property - buildings and constructions		
As at opening balance sheet	7 813	8 152
Change due to:		
- increase in value	-	41
- decrease – depreciation accrued	-95	-380
Total change	-95	-339
As at closing balance sheet	7 718	7 813
Write-down of investment property	-	-
Total investment property	12 124	12 219

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

Fair value as at March 31, 2024 does not significantly differ from fair value. The measurement at fair value as at December 31, 2023 was made by the independent valuers not associated with the Group. The valuers have the right qualifications to carry out valuations of land, buildings and structures, as well as current experience in such valuations in locations where are located assets of the Group.

Details concerning investment property and information on the hierarchy of fair values as at 31 March 2024.

Group	Fair value (in PLN thousands)	
	31 March 2024	31 December 2023
	Level 3	Level 3
Land, including the right of perpetual usufruct	4 406	4 406
Buildings and constructions	7 718	7 813
Total	12 124	12 219

There were no displacements between the levels 1, 2 and 3 in the first quarter of 2024

Note 3 – Right-of-use Assets

	As at 31 March 2024	As at 31 December 2023
- buildings and constructions	23 580	24 641
- machinery and equipment	268	285
- vehicles	626	767
Total assets	24 474	25 693

Description	Change in right-of-use assets for the period from 1 January 2024 to 31 March 2024	Change in right-of-use assets for the period from 1 January 2023 to 31 March 2023
Gross book value	45 748	45 550
Increase in value – new contracts concluded	-	363
Increase in gross value– updating of the value of contracts concluded	36	488
Decrease in value – the end of the contract	-224	-653
Total, book value gross	45 560	45 748
Increase (+) /decrease (-)		
Depreciation – as at opening balance sheet	-20 055	-16 547
Depreciation accrued	-1 031	-4 150
Decrease – the end of the contract	-	642
Total accumulated depreciation	-21 086	-20 055
Total as at closing balance sheet		
Gross book value	45 560	45 748
Accumulated depreciation	-21 086	-20 055
Net book value as at closing balance sheet	24 474	25 693

Note 4 - Shares

Shares	31 March 2024	31 December 2023
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 March 2024	31 December 2023
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 31.03.2024

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

Note 5 - Shares in Entities Valued Using the Equity Method

Shares in jointly-controlled entities and in associated entities	31 March 2024	31 December 2023
- Shares – net value	-	-
- write-downs of shares	1 011	1 011
Shares, gross value	1 011	1 011

Change in shares in jointly-controlled entities and in associated entities	31 March 2024	31 December 2023
a as at the beginning of the period	-	-
b) increase (under)	-	-
c) decrease (due to)	-	-
d) at the end of the period, net	-	-
e) write-down	1 011	1 011
f) as at the end of the period gross	1 011	1 011

Change in write-downs of shares in jointly-controlled entities and associated entities	31 March 2024	31 December 2023
As at the beginning of the period	1 011	1 011
As at the end of the period	1 011	1 011

Note 6 - Settlement of Deferred Income Tax

Changes in values of provision and deferred tax assets for the first quarter of 2024 are shown in the table below.

Deferred tax assets	As at 31 March 2024	As at 31 December 2023
As at beginning of the period	14 823	10 495
Increase	5 769	12 856
Decrease	-6 267	-8 528
As at the end of the period	14 325	14 823

Provision under deferred income tax	As at 31 March 2024	As at 31 December 2023
As at beginning of the period	7 645	10 338
Increase	4 778	5 322
Decrease	-4 352	-8 015
As at the end of the period	8 071	7 645

	As at 31 March 2024	As at 31 December 2023
Deferred tax assets	14 325	14 823
Deferred tax assets	-8 081	-7 645
Assets/(Provision) under deferred income tax	6 254	7 178

Presentation in the statement of financial position	As at 31 March 2024	As at 31 December 2023
Deferred tax assets	7 627	8 624
Provision under deferred tax assets	-1 373	-1 446
Assets/(Provision) under deferred income tax	6 254	7 178

Note 7 – Other non-current financial assets

Other financial assets	31 March 2024	31 December 2023
a) other financial assets - security deposits securing bank guarantees granted	4 969	4 969
Other non-current financial assets , total	4 969	4 969

Note 8 – Inventories

Inventories	31 March 2024	31 December 2023
Semi-finished products and work-in-process	413	2 762
Goods	-	-
Total inventories	-	-
Semi-finished products and work-in-process	413	2 762
Write-downs of inventories	557	557

Note 9 - Trade and Other Receivables

Trade and other receivables	31 March 2024	31 December 2023
Trade receivables	38 309	41 140
Write-down of trade receivables	5 372	5 372
Trade receivables net, including	32 937	35 768
- with repayment period up to 12 months	28 272	31 953
- with repayment period above 12 months	4 665	3 725
Receivables from taxes, subsidies, custom duties, social and health insurance and other benefits	228	243
Other receivables	1 641	1 712
Write-down of other receivables	51	51
Other receivables net	1 590	1 661
Total receivables	34 755	37 672

For the purpose of estimating the expected credit loss, the Group used a provision matrix, which was developed based on observations of historical aging and repayment levels. The Group 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 31.03.2024 amounts to PLN 34 755 thousand, and as at 31.12.2023 PLN 37 672 thousand. In the majority of contracts signed by the Group, time of payment for services was established in the range from 14 to 60 days. As at 31 March 2024 and as at 31 December 2023 trade receivables include security deposits under statutory warranty for construction and assembly works respectively in the amount of PLN 5,850 thousand and 3,725 thousand.

Change in write-downs of trade and other receivables	31 March 2024	31 December 2023
As at the beginning of the period	5 423	4 728
a) increase (under)	-	740
- provision to receivables	-	612
- other	-	128
b) decrease (under)	-	45
- resolving of write-downs of receivables	-	35
- use of write-downs created in previous periods	-	10
Write-downs of current trade and other receivables at the end of period	5 423	5 423

Note 10 - Other Financial Assets

Other financial assets by type:	31 March 2024	31 December 2023
a)) other financial assets - security deposits securing bank guarantees granted	596	596
Total other financial assets	596	596

Note 11 - Other Assets

Other assets by type:	31 March 2024	31 December 2023
a) prepayments	1 565	1 338
- cost of property and personal insurance	276	366
- software maintenance cost	768	925
- subscriptions	-	9
- write-off to the Social Fund	434	-
- deferred costs	35	27
- land use fee	43	11
- other	9	-
b) other	7	-
Total other assets	1 572	1 338

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

Note 12 - Share Capital

SHARE CAPITAL (STRUCTURE)							
Series / emission	Type of share	Type of share preferences	Number of shares	Series / emission at nominal value	Method of coverage of capital	Registration date i	Right to dividend (from the date)
Founding	bearer	3 votes per 1 share	580	580	Cash	23-07-1991	01-10-1991
Founding	registered	-	6 067	6 067	Cash	23-07-1991	01-10-1991
Founding	bearer	-	1 810 104	1 810 104	Cash	23-07-1991	01-10-1991
B	registered	-	750	750	Cash	29-07-1993	01-01-1993
B	bearer	-	187 499	187 499	Cash	29-07-1993	01-01-1993
Total number of shares			2 005 000				
Total share capital				2 005 000			
Nominal value of 1 share = PLN 1.00							

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

Change of rights from the issuer's securities

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

Name of the shareholder	Number of shares held (in pcs.)	Number of votes held	% of votes in total number of votes	% of share capital
1. Steven Tappan	1 002 450	1 002 450	49.97	50.00
2. Otwarty Fundusz Emerytalny PZU „Złota Jesień”	284 916	284 916	14.20	14.21

Change of rights from shares of Prochem S.A. - from the date of publication of the consolidated financial statements of the Capital Group of Prochem S.A. there was no change in the number of shares giving shareholders at least 5% of votes at the general meeting of shareholders.

Note 13 - Retained Earnings

	31 March 2024	31 December 2023
Spare capital	74 591	74 372
Other reserve capital	9 621	9 621
Profit (loss) of the previous period	-24 503	-20
Profit (loss) of the period	-2 406	-24 483
Total	57 303	59 490

Note 14 - Current Bank Loans

	31 March 2024	31 December 2023
- loans	4 928	2 552

Information on bank loans incurred

Name of the bank	Registered office	Limit of the loan	Amount engaged	Repayment date	Terms of interest	Collateral
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By Prochem S.A.

mBank S.A.	Warsaw	4 000	1 563	30.08.2024	The loan interest rate will be equal to the WIBOR ON PLN base rate plus a margin. Interest is charged annually on the amount of the loan used.	The collateral for the repayment of the Bank's receivable is a blank bill of exchange issued by the Borrower together with the bill of exchange declaration
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By Kraków S.A.

mBank S.A.	Warsaw	1 500	1 202	28.02.2025	WIBOR ON + margin	Mortgage + promissory note
ING BANK Śląski	Katowice	3 000	2 163	19.11.2024	WIBOR for 1-month deposits in PLN + margin	Mortgage + promissory note

Note 15 - Trade Payables

	31 March 2024	31 December 2023
a) to associated entities and jointly –controlled entities	-	-
- for supplies and services, with maturity:	-	-
- up to 12 months	-	-
b) to other entities	30 821	34 123
- for supplies and services, with maturity:	30 821	34 123
- up to 12 months	30 821	34 123
- above 12 months	-	-
Total trade payables	30 821	34 123
Non-current liabilities under seized security deposits	4 611	4 486
Total trade payables	35 432	38 609

Note 16 - Amounts due from Customers and Owed to Customers under Long-term Agreements

	31 March 2024	31 December 2023
- amounts due from recipients under agreements	32 836	34 126
Amounts due from recipients under long-term agreements	32 836	34 126

Amounts owed to recipients under long-term agreements

	31 March 2024	31 December 2023
- amounts owed to recipients under agreements	2 500	7 066
Amounts owed to recipients under long-term agreements	2 500	7 066

Description	As at 31 March 2024	As at 31 December 2023
The value of revenues according to agreements	559 445	566 941
The value of revenues invoiced	493 102	481 831
Planned liabilities under execution of agreements	542 658	539 485
Fulfilled obligations under agreements	506 882	486 243
Amounts due from recipients	32 836	34 126
Kwoty należne dla odbiorców	2 500	7 066

Note 17 - Other Liabilities

	31 March 2024	31 December 2023
a) to other entities	2 968	2 907
- under taxes, duties, insurance and other benefits	2 304	2 400
- under remuneration	595	408
- other (by type)	69	99
liabilities to employees	30	13
liabilities to shareholders	10	10
other	29	76
b) other current provisions	7 214	8 583
- provision to costs accrued to the previous year, relating to long –term contracts	3 415	5 800
- provision to costs	1 834	736
- cost of audit	140	140
- current provision for retirement benefit	317	329
- provision to unused annual leaves	1 508	1 578
Total other liabilities	10 182	11 490

Liabilities under lease

	Future minimum lease payments	Interest	Current value	Future minimum lease payments	Interest	Current value
In PLN thousands	2024	2024	2024	2023	2023	2023
Up to one year	235	21	256	274	24	300
1 to 5 years	270	9	279	332	22	354
Total	505	30	535	606	48	654

Liabilities under right-of-use

In PLN thousands	Future minimum lease payments	Interest	Current value	Future minimum lease payments	Interest	Current value
	2024	2024	2024	2023	2023	2023
Up to one year	3 892	1 631	5 523	3 549	1 995	5 544
1 to 5 years	16 158	4 137	20 295	16 354	5 111	21 465
Above 5 years	6 930	852	7 782	8 185	664	8 849
Total	26 980	6 620	33 600	28 088	7 770	35 858

Note 18 - Deferred Income

	31 March 2024	31 December 2023
- advances received	21	290
Deferred income at the end of the period , including:	21	290
Non-current liabilities	-	-
Current liabilities	21	290

Note 19 - Revenues from Sale of Services

Revenues from sale of services (type of service and type of activity)	Period ended 31 March 2024	Period ended 31 March 2023
- revenues from sale of services, including:	45 292	59 993
- from related entities	-	-
Revenues from sale (territorial structure)	Period ended 31 March 2024	Period ended 31 March 2023
Home market	45 292	59 993
- including from related entities	-	-
Exports	-	-

Revenues under contracts for construction services (general contracting) and other services are presented in Note 28. The gross amount due from ordering parties/recipients for the work under the contracts was presented in Note 16.

Information on major customers, whose total amount of revenues from sales exceeds 10% of the total revenues of the Group for 2024 is included in Note 28.

Note 20 - Revenues from Sale of Goods and Materials

Revenues from sale of goods and materials (type of goods and materials and type of activity)	Period ended 31 March 2024	Period ended 31 March 2023
Goods and materials	30	519
Revenues from sale of goods and materials (territorial structure)	Period ended 31 March 2024	Period ended 31 March 2023
Home market	30	519

Note 21 – Cost of Services Sold

Costs by type	Period ended 31 March 2024	Period ended 31 March 2023
a) amortization and depreciation	1 612	1 673
b) consumption of materials and energy	11 655	4 163
c) outsourcing	20 187	45 988
d) taxes and levies	130	96
e) remuneration	9 722	10 427
f) social security and other benefits	2 382	2 592
g) other costs by type (by category)	1 302	1 025
- property and personal insurance	169	215
- business trips	364	157
- PFRON (State Fund for Rehabilitation of Disabled Persons)	132	135
- cars rental	48	101
- other	589	417
Total costs by type	46 990	65 964
Change in inventory, goods, and prepayments	-1 566	-1 529
General and administrative expenses (negative value)	-4 369	-3 988
Cost of services sold	41 055	60 447

Note 22 - Other Operating Income

	Period ended 31 March 2024	Period ended 31 March 2023
a) gain on disposal of non-financial non-current assets	6	-
b) reversal of impairment allowance (under)	-	-
- receivables	-	-
c) other, including:	52	5 597
- reimbursement of litigation costs	1	7
- received compensation, fines, and penalties	17	5 540
- release of provision	28	24
- other	6	26
Total other operating income	58	5 597

Note 23 - Other Operating Expenses

	Period ended 31 March 2024	Period ended 31 March 2023
a) Loss on disposal of non-financial non-current assets	-	-
b) write-down (of)	-	-
- receivables	-	-
c) other, including:	78	151
- cost of litigation	8	10
- actuarial valuation of employee benefits	-	1
- paid damages, penalties and fines	57	84
- other	13	56
Total other operating expenses	78	151

Note 24 - Financial Income

	Period ended 31 March 2024	Period ended 31 March 2023
a) other interest	28	190
- from other entities	28	190
b) surplus of positive exchange rate differences	138	16
c) other, including:	1	27
- other	1	27
Total financial income	167	233

Note 25 - Finance Expenses

	Period ended 31 March 2024	Period ended 31 March 2023
a) interest on bank loans	78	40
b) other interest	514	613
- for other entities	9	20
- under lease	505	593
c) surplus of negative exchange rate difference	216	40
d) other, under:	238	372
- commission on bank guarantees	207	328
- commission on loans	-	4
- other expenses	31	40
Total finance expenses	1 046	1 065

Note 26 - Income Tax

Deferred income tax disclosed in statement of profit and loss	Period ended 31 March 2024	Period ended 31 March 2023
- decrease (increase) under arising and reversal of temporary differences	924	145
Total deferred income tax	924	145

Note 27 – Additional Disclosures to the Statement of Cash Flows

Operating activities include basic activities and turnover from other operating activities.

Investing activities include turnover in the scope of investments in property, plant and equipment, intangible assets, capital investments and securities held for trading.

Received dividends are presented in cash flows from investing activities. Loans granted and repaid with interest due are presented in cash flows from investing activities.

Interests and commissions paid on loans and borrowings incurred as well as lease are shown in cash flows from financial activities. Financial activity also includes received and repaid bank loans and borrowings.

Differences between the amounts established directly from the financial statements and disclosed in the statement of cash flows results from a transfer of specified amounts from operating activity to investing activity and financing activity.

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

	Period ended 31 March 2024	Period ended 31 March 2023
Change in current receivables	3 974	-15 788
Receivables as at 1 January	37 672	51 511
Amounts due from recipients under contracts as at 1 January	34 126	41 194
Other assets as at 1 January	1 338	4 784
Receivables under seized security deposits as at 1 January	1 185	2 431
Receivables for sold non-current financial assets	-	-280
Opening balance sheet after adjustments	74 153	99 640
Receivables as at 31 March	34 755	60 710
Amounts due from recipients under contracts as at 31 March	32 836	51 791
Other assets as at 31 March	1 572	1 472
Receivables under seized security deposits as at 31 March	1 184	1 707
Receivables for sold non-current financial assets	-143	-252
Closing balance sheet after adjustments	70 204	115 428
Change in current liabilities except for current borrowings and special funds	-7 132	11 899
Trade payables as at 1 January	34 123	55 802
Other liabilities as at 1 January	11 490	10 071
Amounts owed to suppliers under contracts as at 1 January	7 066	538
Liabilities under seized security deposits as at 1 January	4 486	8 761
Other non-current liabilities as at 1 January	57	153
Provision to current retirement benefits	-329	-301
Provision to annual leaves	-1 578	-1 797
Provision to audit	-140	-69
Provision to current other costs	-7	-9
Investment commitments as at 1 January	-3	-84
Liabilities to shareholders	-10	-16
Opening balance sheet after adjustments	55 155	73 049
Trade payables as at 31 March	30 821	66 829
Amounts owed to recipients under contracts as at 31 March	2 500	2 437
Other liabilities as at 31 March	10 182	8 706
Liabilities under seized security deposits as at 31 March	4 611	9 002
Other non-current liabilities as at 31 March	53	169
Provision to current retirement benefits	-317	-264
Provisions to annual leaves	-1 508	-1 711
Provision to audit	-140	-38
Investment commitments as at 31 March	-3	-166
Liabilities to shareholders	-10	-16
Closing balance sheet after adjustments	46 189	84 948
Change in other adjustments as at balance sheet day	-233	-61
Change in deferred income – advances received	-269	-
Other	36	-61

Note 28 – 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 at the level of operating result.

The activities of the companies from Capital Group and the Issuer, for the managing purposes were divided into seven 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 installation, lease of office space, commercial activity and other IT services.

Segment assets include all assets used by a segment, consisting primarily of receivables, inventories and property, plant and equipment less provision and impairment.

Some assets in the joint use are assigned to these segments based on reasonable weights

Information on major customers of the Group of Prochem, which share in the sales revenue included in consolidated statement of profit and loss for the first quarter of 2023 exceeded 10% of the total sales revenue:

Information on major customers, which share in the sales revenue for the first quarter of 2024 exceeded 10% of the total sales revenue:

- A Client involved in the production of fertilizers - sales revenue PLN 6 768 thousand, which represents 14.94% share in sales revenue, which was shown in the segment „General contracting”.
- A Client providing planning and engineering consulting services in the field of construction, construction services by third parties with the profile of Project Manager or General Contractor - sales revenue PLN 9 056 thousand, which represents 19.99% share in sales revenue, which was shown in the segment „Assembly of electrical installations”

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 was presented in accordance with country of the seat of the ordering party.

	Note	For the period from 1.01.2024 to 31.03.2024	For the period from 1.01.2023 to 31.03.2023
Poland	18 and 19	45 322	60 512
Other countries		-	-
Total		45 322	60 512

Current data

For the period from 01.01.2024 to 31.03.2024	General contracting	Design services, other engineering services	Rental of construction equipment	Assembly of electrical installation	Rental of office space	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues for external clients	12 864	9 325	30	21 461	1 446	30	-	166	-	45 322
Total revenues of the segment	12 864	9 325	30	21 461	1 446	30	-	166	-	45 322
Result										
Result of the segment	1 123	-2 245	4	945	23	2	-	18	-	-130
Financial income									167	167
Finance costs									-1 046	-1 046
Net financial income									-879	-879
Share in the profit of entities valued using the equity method									-	-
Profit on other operating activities									-20	-20
Before tax profit									-1 029	-1 029
Income tax									1 360	1 360
Profit for the current period									-2 389	-2 389
Loss assigned to non-controlling interest									17	17
Profit for the period assigned to shareholders of the parent entity									-2 406	-2 406
Segment assets (related to activity)	7 431	7 605	-	25 687	29 804	-	-	-	-	70 527
Assets not assigned/unallocated (among others shares and other financial assets)									78 392	78 392
Total assets	7 431	7 605	-	25 687	29 804	-	-	-	78 392	148 919
Depreciation of property, plant and equipment	69	332	1	239	522	-	-	20	423	1 606
Amortization of intangible assets	-	-	-	3	-	-	-	-	3	6

Comparative data

For the period from 01.01.2023 to 31.03.2023.	General contracting	Design services, other engineering services	Rental of construction equipment	Assembly of electrical installation	Rental of office space	Commercial activity	Other IT services	Other	Items not assigned	Total
Revenues for external clients	37 489	12 079	101	8 925	1 322	519	-	77	-	60 512
Total revenues of the segment	37 489	12 079	101	8 925	1 322	519	-	77	-	60 512
Result										
Result of the segment	-6 068	1 543	-2	85	158	124	-	-157	-	-4 317
Financial income									233	233
Finance costs									-1 065	-1 065
Net financial income									-832	-832
Share in the profit of entities valued using the equity method									-	-
Profit on other operating activities									5 446	5 446
Before tax profit									297	297
Income tax									145	145
Profit for the current period									152	152
Loss assigned to non-controlling interest									-16	-16
Profit for the period assigned to shareholders of the parent entity									168	168
Segment assets (related to activity)	35 862	11 101	136	12 668	29 805	-	-	-	-	89 572
Assets not assigned/unallocated (among others shares and other financial assets)									129 033	129 033
Total assets	35 862	11 101	136	12 668	29 805	-	-	-	129 033	218 605
Depreciation of property, plant and equipment	89	361	7	229	522	-	-	28	424	1 660
Amortization of intangible assets	-	-	-	7	-	-	-	-	6	13

Note 29 - Profit per One Share

Net loss per 1 share in trade as at balance sheet day 31 March 2024 was PLN -1.20 and in 2023 net profit per 1 share was PLN 0.08 .

Note 30 - Profit Share and Loss Coverage

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

Proposed distribution of the Parent Entity's result for 2023

The Management Board of the Parent Company proposes to cover loss in the amount of PLN 19,590,790.39 from spare capital.

Note 31 - Dividends

The Issuer did not pay dividend for 2023.

Note 32- Financial Instruments and Financial Risk Management

32.1 Categories and classes of financial instruments

Financial assets

(in PLN thousands)		Categories of financial instruments	
		Loans, receivables and other	
Classes of financial instruments	Note	31.03.2024	31.12.2023
Receivables from supplies and services	9	32 937	35 768
Cash		12 305	14 173
Amounts due from recipients under contracts	16	32 836	34 126
Other financial assets – security deposits securing bank guarantees	10	5 565	5 565
Total		83 643	89 632

Financial liabilities

31 March 2024

(in PLN thousands)		Categories of financial instruments	
		Financial liabilities measured at amortized cost	Total
Classes of financial instruments	nota		
Loans	14	4 928	4 928
Amounts owed to recipients under agreements	16	2 500	2 500
Liabilities under supplies and services	15	30 821	30 821
Non-current liabilities under retained security deposits	15	4 611	4 611
Other liabilities		10 182	10 182
Total		53 042	53 042

31 December 2023

Categories of financial instruments

(in PLN thousands)		Financial liabilities measured at amortized cost	Total
Classes of financial instruments	nota		
Loans	14	2 552	2 552
Amounts owed to recipients under agreements	16	7 066	7 066
Liabilities under supplies and services	15	34 123	34 123
Non-current liabilities under retained security deposits	15	4 486	4 486
Other liabilities		11 490	11 490
Total		59 717	59 717

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

(in PLN thousands)	As at	
	31 March 2024	31 December 2023
Receivables under supplies and services	5 372	5 372
Total	5 372	5 372

Impairment losses on financial assets are presented in Note 9.

The fair value of financial instruments is close to the balance sheet value due to their short-term nature and floating interest rates.

32.2. Financial Risk Management

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

- credit risk;
- liquidity risk;
- market risk (including currency risk, interest rate risk).
- 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 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 31 March 2024 and as at 31 December 2023 the index ratio of current assets to current liabilities (current liquidity ratio) was respectively 1.56 and 1.52.

Detailed information regarding loans is disclosed in Note 14.

Analysis of maturity of liabilities is in Note 15.

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.

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.

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 33 - 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.

The key management staff includes Members of the Company's Management Board and Members of the Company's Supervisory Board.

In the first quarter of 2024 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 the first quarter of 2024 in the Issuer's enterprise:

- to the Members of the Management Board of the Parent Entity in in the total amount of PLN 440.3 thousand,
- to the Members of the Supervisory Board in the total amount of PLN 124.5 thousand.

Remuneration paid to the Members of the Management Board and to the Members of the Supervisory Board Supervisory Board in the first quarter of 2024 for performing the functions in the Management Boards and the Supervisory Boards of the companies from the Capital Group was PLN 84.3 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 33.

In the first quarter of 2024, and in the comparable period, i.e. in the first quarter of 2023 the Group did not conclude transactions with related parties.

Note 34 - Contingent Liabilities and Contingent Assets and Other Collateral

Contingent liabilities

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

	<u>31.03.2024</u>	<u>31.12.2023</u>
Collateral granted		
Bank guarantee of good performance	45 839	44 551
Guarantee of return of advance payment	-	-
Guarantee of payment	1 375	1 375
Tender guarantee	300	2 500
Total collateral granted	47 514	48 426
Contingent liabilities		
Surety for the return of advance payment in the Group	-	-
Total collateral granted and contingent liabilities	47 514	48 426

Contingent assets

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

	<u>31 March 2024</u>	<u>31 December 2023</u>
Collateral received		
Guarantee of return of advance payment	-	386
Bank guarantee of good performance	8 747	11 590
Promissory note guarantees securing the terms of the contract	167	167
Total contingent assets	8 914	12 143

Note 35 - Information on Significant Proceedings Pending before the Court

Did not occur

Note 36 - Events after Reporting Date

Did not occur.

Note 37 - Other Explanatory Information to the Financial Statements

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

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

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

The nominal value of 1 share is PLN 1.

From the date of publication of the consolidated financial statements for 2023, i.e. April 26, 2024, no changes in the number of shares held by managing and supervising persons were recorded.

Position of the Management Board in relation to the possibility of accomplishment of previously published forecast of results for the given year, in the light of results presented in the quarterly report with respect to the forecasted results

Company Prochem S.A. did not publish any forecast of financial results neither for the Company nor for the Capital Group of Prochem S.A..

Information on granting by the issuer or by its subsidiary sureties for a credit or loan or granting a guarantee - jointly to another entity or to a subsidiary of this entity, if the total value of the existing sureties or guarantees is equivalent to at least 10% of issuer's equity

Not applicable.

Indication of factors which, in the issuer's opinion, will have an impact on the results achieved by the issuer in the perspective of at least the next quarter and a concise description of the issuer's achievements or failures in a given period, along with an indication of the most important events relating to the issuer

For the activities of the Capital Group Prochem S.A. in the subsequent quarters of 2024, the macroeconomic environment will have a significant impact, in particular the course of the war in Ukraine, the possibility of obtaining funds from the EU for the National Reconstruction Plan, interest rates on loans, the level of inflation and the related prices of energy, materials and construction services. All these factors have a significant impact on the decisions taken by potential customers of the Prochem S.A. Capital Group. (in particular industrial companies) decisions to start new investment objectives. Currently, most of the orders held by the companies from the Issuer's Capital Group relate to services for investments in the field of new technologies, electromobility, diversification of energy sources (cogeneration, hydrogen production installations), which, in the Issuer's opinion, may mitigate the negative effects of the macroeconomic situation on the operations of the Prochem S.A. Capital Group. The Group participates in tender procedures, which, if successful, may lead to the signing of several significant orders, and as a result, in the following quarters, may result in an improvement in both revenues from the sale of services and results on operations.

Note 38 – Statement of the Management Board of the Parent Company on the Reliability of the Interim Financial Statements Prepared

In accordance 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 laws of a non-member state (Journal of Laws of 2018, item 757) ("Regulation") the Management Board of Prochem S.A., the parent company of the Prochem S.A. Capital Group, declares that to the best of their knowledge:

- interim condensed consolidated financial statements of the Prochem S.A. Capital Group and interim condensed separate financial statements of Prochem S.A. for the first quarter of 2024 and comparable data were prepared in accordance with the International Financial Reporting Standards approved by the European Union, issued and applicable as of the date of preparation of these consolidated financial statements, and reflect in a true, reliable and clear manner the property and financial situation of the Prochem S.A. Capital Group and Prochem S.A. as at March 31, 2024 and December 31, 2023, and the results of their operations and cash flows for the period of 3 months ended March 31, 2024 and March 31, 2023

Michał Dąbrowski
*Member
of the Management Board*

Krzysztof Marczak
*Vice President
of the Management Board*

Marek Kiersznicki
*President
of the Management Board*

Note 39 - Approval of the Financial Statements

Interim condensed consolidated financial statements of the Prochem S.A. Capital Group. prepared as at and for the period ended March 31, 2024, together with financial information of Prochem S.A. was approved by the Management Board of the Parent Company for publication on May 15, 2024.

Financial information of PROCHEM S.A.

Separate statement of financial position

(all amounts in PLN thousands if not stated otherwise)

	As at 31 March 2024	As at 31 December 2023
A s s e t s		
Non-current assets		
Property, plant and equipment	771	926
Intangible assets	11	14
Right-of-use assets	13 162	14 038
Shares	21 801	21 598
Deferred tax assets	7 052	8 063
Receivables under retained security deposits	979	979
Other financial assets	13 822	13 210
Total non-current assets	57 598	58 828
Current assets		
Inventories	-	44
Trade and other receivables	9 807	20 261
Receivables under current income tax	-	-
Amounts due from recipients under agreements	29 826	28 978
Other financial assets	596	596
Other assets	1 178	1 180
Cash and cash equivalents	3 319	4 767
Total current assets	44 726	55 826
Total assets	102 324	114 654
E q u i t y a n d l i a b i l i t i e s		
Equity		
Share capital	2 005	2 005
Shares	-	-
Revaluation reserve	-443	-443
Retained earnings	34 232	36 632
Total equity	35 794	38 194
Non-current liabilities		
Liabilities under retirement and similar benefits	796	796
Non-current loans	16 716	16 629
Non-current liabilities under seized security deposits	4 894	4 769
Liabilities under lease	11 983	12 907
Total non-current liabilities	34 389	35 101
Current liabilities		
Current bank loans	1 563	-
Trade payables	18 019	24 180
Amounts owed to recipients under agreements	2 476	5 815
Liabilities under lease	2 327	2 228
Other liabilities	7 756	9 136
Total current liabilities	32 141	41 359
Total liabilities	66 530	76 460
Total equity and liabilities	102 324	114 654

**Separate statement of profit and loss
from 1 January 2024 to 31 March 2024**

(all amounts in PLN thousands if not stated otherwise)

*Prochem S.A. Capital Group
Consolidated Quarterly Report for the First Quarter of 2024*

	Period ended 31 March 2024	Period ended 31 March 2023
Revenues from sale, including:	21 734	48 532
Revenues from sale of services	21 705	48 459
Revenues from sale of goods and materials	29	73
Cost of sales, including:	-19 961	-50 522
Cost of services sold	-19 934	-50 452
Cost of merchandise and raw materials	-27	-70
Gross profit on sales	1 773	-1 990
General and administrative expenses	-2 642	-2 363
Other operating income	29	5 552
Other operating expenses	-8	-14
Results from operating activities	-848	1 185
Financial income	320	368
Profit on liquidation of subsidiary	-	-
Finance expenses	-861	-831
Before tax profit	-1 389	722
Income tax expense:	1 011	137
- current tax	-	-
- deferred tax	1 011	137
Profit for the period	-2 400	585
Weighted average number of ordinary shares (in pcs.)	2 005 000	2 005 000
Profit (loss) per one ordinary share (in PLN per one share) assigned to owners of the Parent Entity	-1.20	0.29

Separate statement of comprehensive income

	Period ended 31 March 2024	Period ended 31 March 2023
Profit for the period	-2 400	585
Other comprehensive income net	-	-
Total comprehensive income	-2 400	585
Weighted average number of ordinary shares (in pcs.)	2 005 000	2 005 000
Total comprehensive income per ordinary share (in PLN per one share)	-1.20	0.29

Separate statement of changes in equity

(all amounts in PLN thousands if not stated otherwise)

	Share capital	Own shares	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2024 to 31 March 2024					
As at the beginning of the period	2 005	-	-443	36 632	38 194
Net profit of the given period	-	-	-	-2 400	-2 400
<i>Other comprehensive income (net)</i>	-	-	-	-	-
Total comprehensive income	-	-	-	-2 400	-2 400
As at the end of the period	2 005	-	-443	34 232	35 794

	Share capital	Own shares	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2023 to 31 March 2023					
As at the beginning of the period	2 355	-350	-486	56 223	57 742
Net profit of the given period	-	-	-	585	585
<i>Other comprehensive income (net)</i>	-	-	-	-	-
Total comprehensive income	-	-	-	585	585
As at the end of the period	2 355	-350	-486	56 808	58 327

	Share capital	Own shares	Revaluation reserve	Retained earnings	Total equity
Reporting period from 1 January 2023 to 31 December 2023					
As at the beginning of the period	2 355	-350	-486	56 223	57 742
Net profit of the given period	-	-	-	-19 591	-19 591
<i>Other comprehensive income (net)</i>	-	-	43	-	43
Total comprehensive income	-	-	43	-19 591	-19 548
Other changes	-350	350	-	-	-
As at the end of the period	2 005	-	-443	36 632	38 194

Jednostkowe sprawozdanie z przepływów pieniężnych

(all amounts in PLN thousands if not stated otherwise)

	Period ended 31 March 2024	Period ended 31 March 2023
Cash flows – operating activities		
Before tax profit	-1 389	722
Total adjustments	59	-6 380
Amortization and depreciation	848	893
Interest and profit sharing (dividends)	321	320
(Profit) loss on disposal of property, plant and equipment	-	-
Change in provisions	-10	-58
Change in inventories	44	194
Change in receivables and in other assets	9 608	-22 694
Change in current liabilities, except for borrowings and loans, except for loans and borrowings	-10 745	14 954
Other adjustment (including change in deferred income)	-7	11
Cash provided by (used in) operating activities	-1 330	-5 658
Income tax paid	-	329
Net cash provided by (used in) operating activities	-1 330	-5 987
Cash flows – investing activities		
Proceeds from repayment of a loan	-	1 400
Disposal of intangible assets and property, plant and equipment	6	-
Purchase of intangible assets and property, plant and equipment	-2	-90
Outflows on financial assets in subsidiaries	-203	-111
Granting a loan to a subsidiary	-450	-
Net cash provided by (used in) investing activities	-649	1 199
Cash flows – financing activity		
Bank loan incurred	1 563	-
Payment of liabilities under lease	-1 003	-1 058
Interest and commission on loan paid	-29	-4
Net cash provided by (used in) financing activity	531	-1 062
Total cash flows, net	-1 448	-5 850
Increase/(decrease) in cash and cash equivalents net	-1 448	-5 850
Cash and cash equivalents at the beginning of the period	4 676	8 571
Cash and cash equivalents at the end of the period	3 319	2 721
Including restricted cash	808	37

Signatures of the Members of the Management Board

15.05.2024	Marek Kiersznicki	President
date	First name and surname	of the Management Board position	signature

15.05.2024	Krzysztof Marczak	Vice President
date	First name and surname	of the Management Board position	signature

15.05.2024	Michał Dąbrowski	Member
date	First name and surname	of the Management Board position	signature

Signature of the person entrusted with keeping the accounting books

15.05.2024	Barbara Auguścińska-Sawicka	Chief Accountant
date	First name and surname	position	signature