



**Report**  
**on the audit of the annual financial statement**  
**for the financial year**  
**ended on 31<sup>st</sup> of December 2021**  
of the Group of Companies in which the Parent  
Entity is

**Prochem S.A.**  
**Ul. Łopuszańska 95**  
**02-457 Warszawa**

Misters Audytor Adviser Sp. z o. o.  
Warszawa, 28<sup>th</sup> of April 2022

## **Independent Statutory Auditor's Report on the Audit**

### **for the General Meeting and Supervisory Board of Prochem S.A.**

#### **Audit Report of the Annual Financial Statement**

##### **Opinion**

We have audited the annual financial statements of the Group of Companies in which the Parent Entity is of Prochem S.A. ("Parent Entity") ("Group") which comprise the consolidated statement of financial position as at 31 December 2021 and the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows for the financial year from 1 January to 31 December 2021 and additional information including a description of accounting policies adopted and other explanatory information (the "consolidated financial statements").

In our opinion, the attached financial statement:

- give a true and fair view of the consolidated property and financial position of the Group as of 31 December 2021 and its consolidated financial performance and its consolidated cash flows for financial year ended on that day in accordance with the applicable International Financial Reporting Standards approved by the European Union and adopted accounting principles (policy);
- is in respect of the form and content in accordance with legal regulations governing the Group and the Group's Statute,

This opinion is consistent with the additional report for the Audit Committee, issued on 28 April 2022.

##### **Basis for the Opinion**

Our audit was conducted in accordance with the National Standards of Auditing in the wording of the International Standards of Auditing adopted by resolutions of the National Council of Statutory Auditors No. 3430/52a/2019 of 21 March 2019 regarding the National Standards of Auditing and other documents within the scope of § 1 section 1 item 7, 24, 29 to 32 and 34 ("NSA") and pursuant to the Act on Statutory Auditors, Auditing Firms and Public Oversight of 11th of May 2017 ("Act on Statutory Auditors" – Journal of Laws of 2020, item 1415, as amended) and EU Regulation No. 537/2014 of 16 April 2014 on detailed requirements regarding statutory audits of financial statements of public interest entities ("EU Regulation" – UE Journal of Laws L158). Our responsibility in accordance with these standards has been further described in the section of our report *Liability of the Statutory Auditor for Auditing the Financial Statement*.

We are independent from the Companies of the Group under the International Code of Ethics for Professional Accountants (including International Standards of Independence) of the Council of International Ethics Standards Board for Accountants ("IESBA Code") adopted by the resolution of the National Council of Statutory Auditors

No. 3431 / 52a / 2019 of March 25, 2019 on the principles of professional ethics of statutory auditors as well as under other ethical requirements applicable to auditing financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During the audit, the key statutory auditor and the audit firm remained independent from the Companies of the Group in accordance with the independence requirements specified in the Act on Statutory Auditors and the EU Regulations.

We believe that the audit evidence we have obtained constitutes sufficient and appropriate to provide a basis for our audit opinion.

**Key audit issues**

The key audit issues are issues that, according to our professional judgment, were the most significant when auditing the consolidated financial statements for the current reporting period. These include the most significant evaluated risks of material misstatement, including the assessed risks of material misstatement due to fraud. We referred to these issues in the context of our audit of the consolidated financial statements as a whole and in the formulation of our opinion, and summarized our response to these risks and in cases where we deemed it necessary we presented the key observations related to these risks. We do not express any separate opinion on these issues.

<b>Key issue of the audit</b>	<b>How our audit referred to this issue</b>
<b>Settlement of long-term contracts</b>	
<p>As a result of the valuation of uncompleted construction contracts, the Group recognized in the financial statements as at 31 December 2021 an asset due to the excess of revenues due over invoiced in the amount of PLN 14.996.000,00. In accordance with International Financial Reporting Standard No. 15 "Revenues from contracts with customers" ("IFRS 15") The Group determines revenues from construction, design and engineering services contracts in proportion to the stage of service, which is measured by the share of costs incurred to budgeted costs. The method of recognizing revenues from the above-mentioned contracts requires an important element of the judgment of the Group Entity's Management Board in relation to the identification of obligations to meet the performance and significant estimates of the Management Board in terms of the degree of advancement. Due to the fact that improper assessment or management of the Management</p>	<p>Our examination procedures included in particular:</p> <ul style="list-style-type: none"> <li>• understanding and evaluation of the process of determining the level of advancement of work in the Group; we have conducted compliance tests for selected control mechanisms</li> <li>• assessing the compliance of the adopted accounting policy in the field of recognizing revenues with appropriate financial reporting standards</li> <li>• a historical analysis of the implementation of contractual budgets for significant contracts completed in a given financial year in order to compare forecasts and budgets of contracts that have not been completed and to assess the accuracy of the management board's estimates</li> </ul>

Board in these areas may cause erroneous determination of revenues from contracts with clients, we consider this issue to be a key issue of the audit.

- discussions with the Management Board of the Parent Entity and managers of selected long-term contracts recognized according to the stage of completion, to discuss the assumptions regarding budgets and risks and the degree of advancement of work on contracts performed, probability of change in contract results
- assessment of the adequacy of the presentation and disclosures in the financial statements regarding revenues from contracts with clients

As a result of the procedures carried out, we did not find any material issues causing the necessity to introduce adjustments in the financial statements.

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#### **Valuation of shares using the equity method**

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In the consolidated statement of the financial position as at 31 December 2021, the value of shares in entities accounted for using the equity method amounted to PLN 39,139,000.

A key component of the entity's assets is a jointly controlled investment property recognized in the statement at fair value. The valuation is based on the Management Board's estimates made on the basis of valuation of property appraisers. Due to the significance of the position and the risk related to the uncertainty of the Management Board's estimates, this issue was considered as crucial for the audit of the Group's financial statements.

Our audit procedures included in particular:

- understanding and evaluation of the designed property valuation procedures in the Group
- analysis and assessment of the adequacy and continuity of the real estate valuation methods and techniques used
- analysis and assessment of the rationality of key assumptions and parameters regarding property valuation
- assessing the compliance of the adopted accounting policy for the valuation of shares using the equity method with appropriate financial reporting standards
- analysis of the correctness of the arithmetic and substantive valuation of shares using the equity method
- confirmation of the completeness of disclosures in the consolidated financial statements regarding real estate valuation at fair value.

As a result of the procedures carried out, no relevant issues were found that would bring the necessity to make adjustments in the financial statements.

## **Responsibility of the Management Board and Supervisory Board of the Parent Entity for the consolidated financial statements**

The Management Board of the Parent Entity is responsible for preparing the consolidated financial statements, that would give true and fair view of the asset and financial position and the financial result of the Group in accordance with the International Financial Reporting Standards approved by the European Union, adopted accounting principles (policy) and the applicable laws and statute, and for such internal control as the Management Board of the Parent Entity determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Upon preparing the financial statement, the Parent Entity's Management Board is responsible for assessing the Group's ability to continue business operation, disclosure, if applicable, any issues related to business continuity and for the adoption of the going concern principle as the basis of accounting, except for cases when the Board intends either to liquidate the Group or to cease its activities or has no realistic alternative to liquidation or discontinuing business operations.

The Management Board of the Parent Entity and Members of the Supervisory Board of the Parent Entity are obliged to ensure that the consolidated financial statements meet the requirements provided for in the Act of 29 September 1994 (the "Accounting Act" - Journal of Laws of 2021 item 217). Members of the Supervisory Board of the Parent Entity are responsible for supervising the financial reporting process.

## **Responsibility of the statutory auditor for auditing the consolidated financial statement**

Our objective is to obtain reasonable assurance whether the consolidated financial statement, as a whole, is free from any material misstatements due to fraud or error, and issue an audit report that contains our opinion. Reasonable assurance is a high level of assurance but does not guarantee that the audit carried out pursuant to NSA shall always detect the existing material misstatements. Misstatements can occur as result of fraud or error, and are considered material if it can be reasonably expected that they could affect, either individually or collectively, the economic decisions of users taken on the basis of the consolidated financial statement. The concept of materiality applied by the auditor both in planning and carrying out the audit and in the assessment of the impact of the misstatements identified during the audit and uncorrected misstatements present, if any, in the financial report and also in the formulation of auditor's opinion. Now therefore, all opinions and statements contained in the audit report are expressed in terms of the qualitative and valuable level of significance determined in accordance with the audit standards and the professional judgment of the statutory auditor.

The scope of the audit does not include assurance as to the future profitability of the audited Group, nor the effectiveness or efficiency of the Management Board's conduct of the Parent Entity's affairs, either currently or in the future.

During the audit carried out in accordance with the NSA, we use professional judgment and maintain professional scepticism and:

- we identify and evaluate risks of material misstatement of the consolidated financial report due to fraud or error, we design and we audit procedures corresponding to those risks and obtain audit evidence that is sufficient and appropriate to constitute basis for our opinion. The risk of failure to detect material

misstatement due to fraud is greater than that resulting from error as fraud can be a result of collusion, forgery, intentional omissions, misrepresentation or bypassing internal control;

- we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

- we assess the adequacy of the applied accounting principles (policy) and appropriateness of accounting estimates and related disclosures made by the Management Board of the Parent Entity;

- we draw a conclusion on the appropriateness of the application of the going concern principle by the Management Board of the Parent Entity as the primary accounting basis and on the basis of the obtained audit evidence to determine whether there is material uncertainty associated with events or conditions that may be raise a material doubt towards the Group's ability to continue the business operations. If we come to the conclusion that there is such material uncertainty, it is required from us to pay attention in our auditor's report on the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, we modify our opinion. Our conclusions are based on the audit evidence obtained to the date of preparation of our statutory auditor's report, however future events or conditions may lead the Group to cease its business activities;

- we assess the overall presentation, the structure and content of the financial statement, including the disclosure, and whether the financial statement provides transactions and events that constitute the basis for the disclosures in such a way as to ensure fair presentation;

- we obtain sufficient relevant audit evidence regarding the financial information of entities or businesses within the Group to express an opinion on the consolidated financial statements. We are responsible for managing, supervising and conducting the audit of the Group and we remain solely responsible for our audit opinion.

We provide the Supervisory Board of the Parent Entity with information about, among other things, the planned scope and time of the audit and significant findings of the audit, including any significant weaknesses of internal control that we will identify during the audit.

We submit to the Parent Entity's Supervisory Board a statement that we have complied with the applicable ethical requirements regarding independence and that we will inform them of all relationships and other issues that could reasonably be considered to pose a threat to our independence and, where applicable, we report security measures applied.

We determined among the issues forwarded to the Supervisory Board of the Parent Entity those that were most significant during the audit of the consolidated financial statements for the current reporting period and therefore we considered them as the key matters of the audit. We describe these matters in our auditor's report, unless laws or regulations prohibit their public disclosure or when, in exceptional circumstances, we determine that the issue should not be presented in our report because it would reasonably be expected that the negative consequences would outweigh the benefits of such a report for the public interest.

### **Other information, including statement of activities**

Other information consists of a report on the Group's operations for the financial year ended 31 December 2021 ("Statement of activities") together with a statement on corporate governance which constitutes a separate part of this report and the Annual Report for the financial year ended 31 December 2021 ("Annual Report") (together "Other Information").

### *Responsibility of the Management Board and Supervisory Board of the Parent Entity*

The Management Board of the Parent Entity is responsible for preparing Other Information in accordance with the law.

The Management Board of the Parent Entity and members of the Supervisory Board of the Parent Entity are obliged to ensure that the Report on the Group's operations along with the separated part meet the requirements provided for in the Accounting Act.

### *Responsibility of the statutory auditor*

Our opinion on the audit of the consolidated financial statements does not include Other Information. In connection with the audit of the consolidated financial statements, it is our duty to read Other Information and, in doing so, consider whether they are materially consistent with the consolidated financial statements or our knowledge gained during the audit or otherwise appear materially misstated. If, on the basis of the conducted work, we find a material misstatement in Other Information, we are obliged to inform about this in our audit report. Our responsibility, in accordance with the Act on Act on Statutory Auditors, is to also issue an opinion as to whether the Group's Statement of activities has been drawn up in accordance with the law and whether it is consistent with the information contained in the consolidated financial statement. In addition, we are required to issue an opinion on whether the Group has included the required information in the corporate governance statement.

### **Opinion on the Operations Statement**

On the basis of the work done during the audit, in our opinion, the Group's Operation Statement:

- has been drawn up in accordance with Article 49 of the Accounting Act and paragraph 71 of the Regulation of the Minister of Finance dated 29 March 2018 regarding current and periodic information published by issuers of securities and conditions for recognizing information required by the law of a non-member state as equivalent ("Current Information Regulation") – Journal of Laws of 2018 item 757.);

- is consistent with the information contained in the attached consolidated financial statement.

In addition, in the light of knowledge on the Group and its environment, obtained within our audit, we declare that we did not find any material misstatements in the Statement of activities.

### **Opinion on the statement on the application of corporate governance**

In our opinion, in the statement on the application of corporate governance, the Group has included the information set out in section 70, para. 6 point 5 let. a, b, g, j, k and let. l about current information. In addition, in our opinion, the information indicated in section 70 para. 6 point 5 let. c-f, h and let. i and the Regulations contained in the corporate governance statement comply with the applicable regulations and information contained in the consolidated financial statements.

## **Report on other legal and regulatory requirements**

### **Opinion on the compliance of marking up of the consolidated financial statements prepared in a single electronic reporting format with the requirements of the regulation on technical standards on the specification of a single electronic reporting format**

In connection with the audit of the annual consolidated financial statements, we have been engaged to perform a reasonable assurance engagement to express an opinion on whether the annual consolidated financial statements of the Group as at and for the year ended December 31, 2021, prepared in a single electronic reporting format contained in the file named "259400Y049RUPUFT3G15-2021-12-31-pl" (consolidated financial statements in the ESEF format) have been marked up in accordance with the requirements set out in the Commission Delegated Regulation (EU) 2019/815 of December 17, 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (ESEF Regulation).

#### *Identification of the criteria and description of the subject matter of the engagement*

The consolidated financial statements in the ESEF format were prepared by the Management Board of the Parent in order to meet the marking requirements and technical requirements for the specification of a single electronic reporting format, as set out in the ESEF Regulation.

The subject matter of our assurance engagement is to verify the compliance of marking up of the consolidated financial statements in the ESEF format with the requirements of the ESEF Regulation, and we believe that the requirements set out in the regulations form appropriate criteria for expressing our opinion.

#### *Responsibility of the Management Board and Supervisory Board of the Parent Entity*

The preparation of consolidated financial statements in the ESEF format in accordance with the marking requirements and technical requirements for the specification of a single electronic reporting format, as set out in the ESEF Regulation, is the responsibility of the Parent's Management Board. The responsibility includes the selection and application of appropriate XBRL markups with the use of the taxonomy defined in those regulations.

The responsibility of the Parent's Management Board also includes the design, implementation and maintenance of an internal control system to ensure the preparation of consolidated financial statements in the ESEF format free from material non-conformities with the requirements of the ESEF Regulation. Members of the Parent's Supervisory Board are responsible for overseeing the financial reporting process, including the preparation of financial statements in accordance with the format resulting from applicable laws.



### *Responsibility of the statutory auditor*

Our objective was to express an opinion, on the basis of a reasonable assurance engagement, whether the consolidated financial statements in the ESEF format have been marked up in accordance with the requirements of the ESEF Regulation.

We performed the engagement in accordance with National Standard for Assurance Engagements other than Audits or Reviews 3001PL Audit of Financial Statements Prepared in a Single Electronic Reporting Format, which was adopted by resolution of the National Council of Statutory Auditors No. 1975/32a/2021 of December 17, 2021 (NSAE 3001PL) and, where relevant, in accordance with National Standard for Assurance Engagements other than Audits or Reviews 3000 (R) in the wording of International Standard on Assurance Engagements (ISAE) 3000 (revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information, which was adopted by resolution of the National Council of Statutory Auditors No. 3436/52e/2019 of 8 April 8, 2019, as amended (NSAE 3000 (R)).

The standard imposes on a statutory auditor an obligation to plan and perform procedures in such a manner as to obtain reasonable assurance that consolidated financial statements in the ESEF format have been prepared in accordance with the specified criteria.

Reasonable assurance means a high level of assurance, but it does not guarantee that an engagement performed in accordance with NSAE 3001PL and, where relevant, in accordance with NSAE 3000 (R), would always detect an existing material misstatement.

The selection of the procedure depends on the statutory auditor's judgement, including their estimation of the risks of material misstatement, whether due to fraud or error. When assessing the risk, the statutory auditor considers internal control associated with the preparation of consolidated financial statements in the ESEF format in order to plan the relevant procedures which are to provide the auditor with sufficient and appropriate evidence. The assessment of the functioning of the internal control system was not conducted for the purpose of expressing an opinion on the effectiveness of its functioning.

### *Summary of the work performed*

The procedures planned and performed by us included, among others:

- obtaining an understanding of the process of preparation of consolidated financial statements in the ESEF format, covering the process of the Parent's Management Board's selection and application of XBRL markups and ensuring compliance with the ESEF Regulation, including understanding of the internal control system mechanisms related to the process;
- reconciliation of the marked up information contained in the consolidated financial statements in the ESEF format with the audited annual consolidated financial statements;
- assessment of compliance with technical standards on the specification of a single electronic reporting format, including the application of the XHTML format, using specialist IT tools,
- assessment of the completeness of marking of information in the consolidated financial statements in the ESEF format with XBRL markups;
- assessment whether the XBRL markups from the taxonomy defined in the ESEF Regulation have been properly applied and whether extension taxonomies have been used in situations where the core taxonomy specified in the ESEF Regulation has not identified the relevant elements;
- assessment whether the applied extension taxonomies have been properly anchored in the core

taxonomy defined in the ESEF Regulation.

We believe that the evidence we have obtained provides sufficient and appropriate basis for us to express an opinion on the compliance of marking up with the requirements of ESEF Regulation.

#### *Ethical requirements, including independence*

In performing the engagement, the statutory auditor and the audit firm complied with the independence requirements and other ethical requirements set out in the IESBA Code. The IESBA Code is based on fundamental principles relating to integrity, objectivity, professional competencies and due diligence, confidentiality and professional conduct. We also complied with other independence and ethics requirements that apply to this assurance engagement in Poland.

#### *Quality control requirements*

The audit firm applies national quality control standards in the wording of the International Quality Control Standard 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services, adopted by resolution of the National Council of Statutory Auditors No 2040/37a/2018 of March 3, 2018, as amended (NQCS).

In accordance with the NQCS requirements, the audit firm maintains a comprehensive quality control system that includes documented policies and procedures for compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### *Opinion on the compliance with the requirements of ESEF Regulation*

The statutory auditor's opinion is based on the matters described above, therefore, the opinion should be read in consideration of these matters.

In our opinion, the consolidated financial statements in the ESEF format have been marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

#### **A statement on the provision of non-audit financial statements**

To the best of our knowledge and belief, we declare that services that are not an audit of the financial statements, which we provide to the Group, are compliant with laws and regulations in force in Poland and that we have not provided non-audit services that are prohibited under Art. 5 para.1 of the EU Regulation and Art.136 of the Act on Statutory Auditors.

The non-audit services that we provided to the Group and its subsidiaries during the audited period are listed in Note 34 of the Group's Statement of Activities.

#### **Selection of audit company**

We have been selected for the first time to audit the Group's consolidated financial statements by a resolution of the Supervisory Board of the Parent Entity of 9 June 2020. We have been auditing the Group's consolidated financial statements for 4 years.

The key statutory auditor responsible for the audit which resulted in this report of the independent statutory auditor, is Bożena Grzegorzcyk acting on behalf of Misters Audytor Adviser Sp. z o. o. with its registered office in Warsaw, entered in the list of audit firms at No. 3704.

Bożena Grzegorzcyk  
Register No. 12119

Warszawa, 28<sup>th</sup> of April 2022

*The binding version of the Report of an Independent Statutory Auditor on the Audit is the Polish version signed by key statutory auditor.*