



**Report  
on the audit of the annual financial statement  
for the financial year  
ended on 31<sup>st</sup> of December 2023**

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

Misters Audytor Adviser Spółka z o. o.  
Warszawa, 26<sup>th</sup> of April 2024

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

### **To the General Meeting and Supervisory Board**

### **of Prochem S.A**

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

#### **Opinion**

We have audited the annual financial statement of Prochem S.A.(the "Company") containing the statement of financial position as at 31 December 2023, Profit and Loss Account, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the period from 1 January to 31 December 2023 notes to the financial statements containing information on significant accounting policies and other explanatory information (the "financial statement").

In our opinion, the attached financial statement:

- give a true and fair view of the financial position of the Company as of 31 December 2023 and its financial performance and its cash flows for the period from 1 January 2023 to 31 December 2023 in accordance with required applicable rules of International Financial Reporting Standards approved by the European Union and the adopted accounting policies,
- are in respect of the form and content in accordance with legal regulations governing the Company and the Company's Statute,
- has been based on properly maintained accounting records and in accordance with the provisions of chapter 2 of the Accounting Act of September 1994 (the "Accounting Act" – Journal of Laws of 2023, item 120, as amended)

This opinion is consistent with the additional report for the Audit Committee, issued on 26 April 2024.

#### **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 with subsequent amendments, and the resolution of the Council of the Polish Audit Oversight Agency No. 38/I/2022 dated November 15, 2022, on national quality control standards and the National Audit Standard 220 (Revised) ("NAS"), as well as pursuant to the Act of May 11, 2017, on statutory auditors, audit firms, and public oversight ("Statutory Auditors Act" – consolidated text, Journal of Laws of 2023, item 1015, with subsequent amendments) and EU Regulation No. 537/2014 of April 16, 2014, on specific requirements regarding statutory audits of public interest entities, repealing Commission Decision 2005/909/EC ("EU Regulation" – Official Journal of the EU L 158 of 27.05.2014, p. 77, with subsequent amendments). Our responsibility under these standards is further described in the section of our report titled Responsibility of the statutory auditor for the audit of the financial statements.

We are independent from the Company 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 Company 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.

#### **Key issue of the audit**

#### **How our audit referred to this issue**

##### **Settlement of long-term contracts**

As a result of the valuation of uncompleted construction contracts, the Company

recognized in the financial statements as at 31 December 2023 an asset due to the excess of

revenues due over invoiced in the amount of PLN 28.978.

In accordance with International Financial Reporting Standard No. 15 "Revenues from contracts with customers" ("IFRS 15") The Company 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 Company'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 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.

Our examination procedures included in particular:

- understanding and evaluation of the process of determining the level of advancement of work in the Company; we have conducted compliance tests for selected control mechanisms
- assessing the compliance of the adopted accounting policy in the field of recognizing revenues with appropriate financial reporting standards
- on the selected sample, we performed reliability tests of contract budgets, which were the basis for determining the degree of

advancement, determining the transaction price and recognizing revenue, as well as establishing contract budgets, which were the basis for the calculation of provisions

- 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
- discussions with the Management Board of the Company 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.

### **Responsibility of the Management Board and Supervisory Board for the Financial Statement**

The Management Board of the Company is responsible preparing the financial statement, on the basis of correctly maintained accounting books, which gives true and fair view of the asset and financial position as well as the financial result of the Company in compliance with the International Financial Reporting Standards approved by the European Union, with the adopted accounting principles (policy) as well as the provisions of the law binding the Company and statute, and for the internal control which the Management Board considers necessary in order to draw the financial statement without any material misstatement, whether due to fraud or error.

By drawing up the financial statement, the Management Board of the Company is responsible for assessing the capacity of the Company for continuing activity, to disclose, in applicable cases, the matters related to continuation of activity and to adopt the principle of going concern as the basis for accounting purposes, except for the situations when the Management Board either intends to liquidate the Company or to discontinue activity or when there is no real alternative to liquidation or discontinuation of activity.

The Management Board of the Company and Members of the Supervisory Board are responsible for ensuring that the financial statement meets the requirements specified in the Accounting Act.

The Members of the Supervisory Board are responsible for supervising the financial reporting process of the Company.

### **Liability of the Statutory Auditor for Auditing the Financial Statement**

Our objectives are to obtain reasonable assurance whether or not the financial statement, as a whole, does not include material misstatement due to fraud or error and to issue the report on the audit including our opinion. Reasonable assurance means a high degree of assurance but does not guarantee that the audit conducted in accordance with NSA will always disclose material misstatement. Misstatements may occur as a result of fraud or error, and are considered material if it can be reasonably expected that, individually or jointly, they could influence the economic decisions of users made on the basis of this financial statement. The concept of significance is applied by the statutory auditor both for planning and conducting the audit, and for assessing the impact of the misstatements discovered during the audit as well as unadjusted misstatements, if any, on the financial statement, including for formulating the opinion of the statutory auditor. As a result, all the opinions and statements included in the report on the audit are expressed taking into account the qualitative and valuable level of significance determined in accordance with auditing standards and the professional judgment of the statutory auditor.

The scope of the audit does not include assurance of the future profitability of the Company nor of the effectiveness or efficiency of the Company matters conducted by the Company Management Board, either currently or in the future

During the audit consistent with NSA, we apply professional judgment and maintain professional skepticism, as well as:

- we identify and assess the risks of material misstatement of the financial statement due to fraud or error, we design and conduct auditing procedures corresponding to those risks and obtain the audit evidence that is sufficient and appropriate to constitute basis for our opinion. The risk of not detecting a material misstatement due to fraud is greater than that resulting from an error, because fraud may involve collusion, forgery, intentional omissions, misleading or circumvention of internal control;
- we gain understanding of internal control mechanisms relevant to the audit in order to design the audit procedures that are appropriate in the given circumstances, but not for the purpose of expressing an opinion on the efficiency of internal control of the Company;
- we assess the suitability of the applied accounting principles (policy) and the validity of the accounting estimates and the associated disclosures made by the Management Board of the Company;
- we draw a conclusion on the appropriateness of the application of the going concern principle adopted by the Management Board of the Company as the accounting basis and,

based on the obtained audit evidence, whether there is material uncertainty related to the events or conditions that may rise a material doubt towards the ability of the Company to continue activity. If we conclude that there is such material uncertainty, it is required from us to indicate, in our report of the statutory auditor, the associated disclosures in the financial statement or, if such entries are inadequate, we modify our opinion. Our conclusions are based on the audit evidence obtained until the date of drawing up our report of the statutory auditor, but future events or conditions may cause the Company to discontinue its activities;

- we evaluate the general presentation, structure and contents of the financial statement, including its disclosures, and whether the financial statement presents the underlying transactions and events in a manner that ensures a fair presentation.

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

We submit to the 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 those that were most significant during the audit of the financial statement for the current reporting period and therefore we considered them as the key issues of the audit. We describe these issues in our report of an independent statutory auditor, 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 the Statement of Activities**

Other information includes the statement of activities of the Company for the financial year ended on 31 December 2023 (the "Statement of Activities") together with a statement on corporate governance referred which constitutes a separate part of this report and the Annual Report for the financial year ended 31 December 2023 ("Annual Report") (together "Other Information").

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

The Management Board of the Company is responsible for drawing up the Other Information in compliance with provisions of the law.

The Management Board of the Company and Members of the Supervisory Board are responsible for ensuring that the Statement of Activities meet the requirements specified in the Accounting Act.

*Responsibility of the statutory auditor*

Our opinion on the audit of the financial statement does not cover the Other Information. On account of auditing the financial statement, our obligation is to become familiar with the Other Information and, in doing so, consider whether they are significantly inconsistent with the financial statement or with our knowledge obtained during the audit, or whether they seem materially misstated in any other way. If, as a result of conducted work, we discover material misstatements in the Other Information, we are obliged to indicate it in our report on the audit. Under the requirements of the Act on Statutory Auditors, we are obliged to issue the opinion on whether the Statement of Activities has been drawn up in compliance with provisions of the law and whether it is consistent with the information included in the financial statement. In addition, we are required to issue an opinion on whether the Company has included the required information in the corporate governance statement.

We obtained the Company's Statement of Activities prior to the date of this audit report and the Annual Report will be available after that date. In case that we identify a material misstatement in the Annual Report, we are required to inform the Company's Supervisory Board.

**Opinion on the Statement of Activities**

On the basis of the work performed during the audit, in our opinion the Statement of Activities of the Company:

- has been drawn up in compliance with art. 49 of the Accounting Act and paragraph 70, paragraph 6 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 included in the financial statement.

Moreover, in the light of the knowledge of the Company and its environment, obtained within our audit, we declare that we have not found 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 Company has included the information set out in section 70, para. 6 point 5 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 financial statement.

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

### **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 Company and its subsidiary entities, 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 Company and its subsidiaries during the period under audit are listed in Note 33 of the Company's Statement of Activities.

### **Selection of audit company**

We have been selected for the first time to audit the financial statement of the Company by a resolution of the Supervisory Board of the Company of 9 June 2020 and again by a resolution dated May 24, 2023. We have been auditing the Company's financial statements continuously since the fiscal year ended December 31, 2018, which is for six consecutive 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, 26<sup>th</sup> of April 2024

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