

**MANAGEMENT BOARD REPORT
ON THE ACTIVITIES OF THE PROCHEM S.A.
CAPITAL GROUP IN 2023**

Warsaw, April 26, 2024

1. Principles of presentation of financial statements

Principles of preparation of the consolidated financial statements of the Prochem S.A. Capital Group for 2023 have been included in Explanatory Notes to the financial statements.

2. Overview of the basic economic and financial volumes disclosed in the annual financial statements and presentation of the development prospects of the Capital Group of Prochem S.A. in 2024

In 2023 the Prochem S.A. Capital Group achieved revenues from basic activity in the amount of PLN 281 million. They are PLN 59 million higher than those achieved in 2022. The greatest increase occurred in the execution services segment, where sales revenues were 36% higher than in the previous year. The results of the Capital Group reflect the problems faced by the construction industry in Poland in 2023. The most important include: increase in costs (energy, raw materials, construction materials, wages, transport) and difficulties with contract valorization. The end of general contracting contracts before February 2022 contributed to the poor results in 2023. As a result, the operating activities of the Capital Group resulted in a loss of PLN 25.7 million.

The companies of the Capital Group have several large, long-term design contracts (cooperation on the projects of nuclear power plant, electric car factory, design work for a component factory for electric car batteries), which in 2024 will allow for maintaining high revenues and a positive margin in this service segment. However, the observed decline in new inquiries resulting from the difficult economic and political situation caused by the coronavirus pandemic and the effects of the ongoing war in Ukraine may pose a threat to the development of the activities of the Capital Group companies.

2.1 Characteristics of the structure of assets and liabilities of the consolidated balance sheet, including for regard to the liquidity of the Issuer's Capital Group

As at December 31, 2023 non-current assets accounted for 43.1% total balance sheet, i.e. amount of PLN 68,911 thousand, and current assets 56.9%, i.e. amount of PLN 90,869 thousand. Compared to the previous year, there was an increase in the value of non-current assets by PLN 7.1 million, while current assets decreased by PLN 52.8 million.

The Capital Group's equity decreased by PLN 25.4 million and accounted for 41.9% of the balance sheet total at the end of 2023, while total liabilities decreased by PLN 20.2 million and accounted for 58.1% of the balance sheet total. Changes in both assets and liabilities result from the loss on the Capital Group's operations recorded in 2023. The current liquidity ratio was 1.52 at the end of 2023.

3. Description of significant risk factors and threats to the activity of the Prochem Capital Group

Companies belonging to the Prochem S.A. Capital Group are exposed to the following types of risks and threats in their activities:

3.1 Economic fluctuations in the investment market

Some of the companies belonging to the Capital Group provide services in the investment market, characterized by a large scale of fluctuations in demand, strongly related to the general macroeconomic situation of the country, which is currently strongly influenced by the coronavirus pandemic. Methods used by the Group to limit the negative impact of these factors on financial results (accumulation of financial reserves, diversification of services provided, using appropriate IT tools and solutions), may not fully neutralize this risk.

3.2 Possibility of threats occurrence during the performance of contracts

Types of activity conducted by the companies belonging to the Capital Group, in particular, the preparation and management of technically complex investment projects, often implemented on the basis of contracts concluded under conditions of a strong price competition, cause that there is a constant risk of the technical and financial problems occurrence in this scope.

3.3 Dependence on the staff

The risk of dependence on staff occurs especially in the parent company. Improving the quality of services provided, undertaking the implementation of complex technological projects, using modern IT systems and working for renowned clients requires the highest professional qualifications from employees. Recruiting such people, especially in the situation of liberalization of the European labour market, may be difficult. The company tries to minimize this threat by improving the qualifications of its staff and using motivational programs that bind employees to the company.

3.4 Exchange rate risk

Part of contracts (mainly of the parent company) for the sale of services is concluded with foreign companies in foreign currencies (EUR, US \$). In the event of a significant strengthening of the domestic currency, this may have an adverse effect on the Group's results. This risk is partially mitigated in a natural way i. e. through the purchase of equipment and services necessary for the execution of these contracts abroad.

3.5 Risk of dependence on significant service buyers

The execution of contracts for implementation with a significant value by the companies belonging to the Group requires significant expenditures to be incurred on the purchase of

services and equipment, which are then sold to the customer in the form of a ready facility. Lack of proper correlation between the expenditure incurred and proceeds from the execution of a contract with a customer may trigger necessity of the use of external financing by the companies, and in special circumstances, may cause even temporary loss of a financial liquidity. Such risk is largely secured by appropriate provisions in the contract with the client, under which the client is obliged to successively return the expenses incurred during the execution of the order.

4. Statement of application of principles of corporate governance in the Company Prochem S.A. in 2023

By Resolution No. 13/1834/2021 of the Stock Exchange Council of March 29, 2021, new corporate governance rules for companies listed on the WSE Main Market were adopted. This is subsequent version of the set of corporate governance rules applicable to companies listed on the WSE Main Market. The new rules entered into force on July 1, 2021. In connection with the above, from July 1, 2021, the Company applies the principles contained in the document "Best Practices of Companies Listed on the Warsaw Stock Exchange 2021" ("DPSN 2021"), except for the principles: 1.3.1., 1.3.2., 1.4., 1.4.1., 1.4.2., 2.1., 2.2., 2.11.6., 4.1., 4.3., 6.2., 6.3.:

In its business strategy, the company also takes into account the subject of ESG, in particular including:

1.3.1. environmental issues, including measures and risks related to climate change and sustainable development issues;

The principle is not applied.

Company comment:

In the course of its operations, the company takes into account modern technological solutions, also paying attention to environmental aspects. However, the Company's business strategy is not a formalized document and is not communicated to the public, therefore it is not possible to include the ESG subject in the manner indicated in the above principle.

1.3.2. social and employee matters, concerning e.g. actions taken and planned to ensure gender equality, proper working conditions, respect for employee rights, dialogue with local communities, customer relations

The principle is not applied.

Company comment:

The issues indicated in the above principle are important for the Company and are implemented in its current operations. The company takes care to ensure gender equality, proper working conditions, respect for employees' rights, as well as proper relations with contractors. However,

the Company's business strategy is not a formalized document and is not communicated to the public, therefore it is not possible to include the ESG subject in the manner indicated in the above principle.

1.4. In order to ensure proper communication with stakeholders, within the scope of the adopted business strategy, the company publishes on its website information on the assumptions of its strategy, measurable goals, including in particular long-term goals, planned activities and progress in its implementation, determined by means of metrics, financial and non-financial. Information on the strategy in the ESG area should, among others.:

1.4.1. explain how the decision-making processes in the company and its group entities take into account issues related to climate change, pointing to the resulting risks;

1.4.2. present the value of the equal pay index paid to its employees, calculated as a percentage difference between the average monthly remuneration (including bonuses, awards and other allowances) of women and men for the last year, and provide information on actions taken to eliminate possible inequalities in this regard, together with the presentation of the related risks and the time horizon in which it is planned to achieve equality .

The principles are not applied.

Company comment:

The principles cannot be applied by the company due to the lack of public communication of a formalized business strategy.

2.1. The company should have a diversity policy towards the management board and the supervisory board, adopted by the supervisory board or the general meeting, respectively. The diversity policy defines the goals and criteria of diversity, e.g. in such areas as gender, field of education, specialist knowledge, age and professional experience, and also indicates the date and method of monitoring the implementation of these goals In terms of diversity in terms of gender, the condition for ensuring the diversity of the company's governing bodies is the minority share in a given governing body at a level not lower than 30%.

The principle is not applied.

Company comment:

The company does not have a formalized diversity policy in place. The basic criterion when making decisions on the selection of persons to the Management Board and the Supervisory Board are the competences of the candidates, while recognizing the principle of non-discrimination of candidates for any non-substantive reasons.

2.2. Persons making decisions on the selection of members of the company's management board or supervisory board should ensure the versatility of these bodies by

selecting persons to ensure diversity, enabling, among others, achieving the target ratio of the minimum share of minorities set at a level not lower than 30%, in accordance with the objectives set out in the adopted diversity policy referred to in principle 2.1.

The principle is not applied.

Company comment:

The company does not have a formalized diversity policy in place. Persons making decisions on the selection of members of the Company's governing bodies are guided by the candidates' competences, their education and professional experience as well as knowledge, while recognizing the principle of non-discrimination of candidates for any non-substantive reasons.

2.11.6. information on the degree of implementation of the diversity policy in relation to the management board and the supervisory board, including the implementation of the objectives referred to in principle 2.1.

The principle is not applied.

Company comment:

The Company has not adopted a formalized diversity policy towards the management board and the supervisory board, therefore the information indicated in the above principle cannot be included in the report of the Supervisory Board.

4.1. The company should enable shareholders to participate in the general meeting using electronic means of communication (e-general meeting), if it is justified due to the expectations of shareholders reported to the company, provided that it is able to provide the technical infrastructure necessary to conduct such a general meeting

The principle is not applied.

Company comment:

The Company's shareholding structure does not justify the introduction of the solutions referred to in the above principle, taking into account the proportionality and adequacy of the adopted solutions and the Company's individual needs.

4.3. The company provides publicly available transmission of general meetings in real time.

The principle is not applied.

Company comment:

The Company's shareholding structure does not justify the introduction of the solutions referred to in the above principle, taking into account the proportionality and adequacy of the adopted solutions and the Company's individual needs.

6.2. Incentive programs should be structured in such a way that, among other things, they make the level of remuneration of members of the company's management board and its key managers dependent on the actual, long-term situation of the company in terms of financial and non-financial results and long-term increase in value for

shareholders and sustainable development, as well as the stability of the company's operations.

The principle is not applied.

Company comment:

The Company's "Remuneration Policy for Members of the Management Board and Supervisory Board" in force in the Company does not provide for the functioning of incentive programs in the Company. The principles for remunerating Management Board Members are set out in contracts prepared by the Supervisory Board, based on the applicable Remuneration Policy. The remuneration of key managers is determined in a way aimed at attracting, retaining and motivating these people to properly perform their duties, adequately to the tasks performed and the responsibility incurred.

6.3. If one of the incentive programs in the company is a managerial option programme, then the implementation of the option program should be conditional upon the eligible persons meeting, within at least 3 years, financial and non-financial and sustainable development goals set in advance, realistic and appropriate for the company, and the purchase price of the shares by the entitled persons or the settlement of the options may not differ from the value of the shares from the period when the program was adopted.

The principle is not applied.

Company comment:

The Company does not use an incentive scheme based on the managerial option scheme.

The full text of the set of corporate governance principles to which the Company is subject, along with a list of principles that the Company currently does not apply and a commentary in this regard, is available on the website of Prochem S.A. – www.prochem.com.pl.

5. Description of the internal control system in the Capital Group

Internal control is one of the functions of the ongoing management of the Group being exercised directly by the Management Board, directors, proxies and other employees and other employees employed in managerial positions or entrusted with such a function.

Companies belonging to the Capital Group have a comprehensive system of internal control, with the aim of to ensure timely and accurate disclosure of facts concerning all material elements of the company's operations. That contributes to obtain a complete knowledge of the financial position, results of operations, the Group's property and management efficiency. The scope of control includes above all:

- business activities of the company, basic and auxiliary,
- financial reporting and accounting settlements,
- compliance with the company's activity with the applicable laws, and with internal regulations,
- employment and wages.

Institutional internal control analyses the accomplished undertakings and documentation related to it. The main task of it is to carry out comprehensive checks in respect of the most important issues for the Group and collecting and elaboration of the information on the activities of the organizational units of the Group, selected economic problems and other issues that in the given period were regarded as the most relevant by the Management Board of the Parent Entity. Apart from the institutional internal control, there is also the so-called functional control in the Group which is exercised by managers of various ranks. Managers perform the supervision over the employees subject to them, consisting in the checking of the state of accomplishment of tasks set.

Institutional internal control is exercised in the PROCHEM S.A. Capital Group mainly by services from financial and accounting departments, and also by the employees of the legal and organizational department. Part of the tasks of the internal control is carried out by teams and commissions appointed for this purpose.

Control activities are carried out in all phases of activity in the form of the preliminary control, current and next. Financial and accounting documents are subject to substantive, formal and accounting control. Information on formal and substantive correctness and calculation correctness bears signature in an identifiable manner (full name and surname), or bears the personal stamp of the authorized person and the date of approval of the document.

The internal control system which is functioning in the PROCHEM S.A. Capital Group ensures completeness of the recognizing of the economic operations, and the proper qualification of source documents as well the correct valuation of the resources had at disposal at particular stages of the registration, and thus ensures the correctness of preparation of the financial statements and enables the Management Board to carry out the Group's activities based on a verified and complete information.

6. Description of the risk management system in the Capital Group

In the activity the following risks exist:

- risk of economic fluctuations in the investment market,
- risk of losing key employees
- risk of threats occurrence during execution of the contracts,
- currency risk,
- risk of dependence on significant buyers of services,
- risk of payment unreliability,

Risk management in particular areas consists in:

- monitoring of the phenomena generating the risk,

- undertaking the activities aiming at the reducing the level of a risk.

In terms of individual risks, the situation is as follows:

- The risk of economic fluctuations in the investment market:

- monitoring of the macroeconomic situation and in the selected industries
- scope diversification (development of the activities being alike to engineering services - developer's activity)
- field diversification (development of exports)
- accumulation of the financial reserves

- The risk of loss of key employees

- monitoring of the level of employment, remuneration and staff fluctuation
- monitoring of the labor market and of the level of the remuneration in the market
- maintaining the training system and raising qualifications
- incentive programs for key employees
- active recruitment system – cooperation within the environment and maintaining of relations with Universities

- The risk of threats occurrence at execution of the contracts

- realistic price calculation when concluding contracts,
- monitoring the progress in execution of contracts, and disclosure of threats on the basis of the “Control of Service Costs” procedure introduced by Cost Control Team,
- selection of reliable subcontractors,
- contract clauses restricting the maximum amount of contractual penalties

- The foreign currency risk:

- monitoring and forecasting of currency exchange rates
- forward type currency transactions
- purchase of equipment and services in the currency of the contract
- maintaining a high level of domestic sales

- The risk of dependence on significant buyers of services

- monitoring of the execution of contracts with the significant buyers of services
- contractual provisions containing the cushioning elements
- maintaining of the partner relations with recurring customers

- The risk of payment unreliability

- monitoring the financial standing of key clients before and during the execution of contracts
- application of specialized debt collection procedures

Both the identification of risk factors, their monitoring and the system of risk-mitigating activities used in the PROCHEM S.A. Capital Group are at a good level, and the implemented development and diversification strategy helps reduce some of the risks and leads to professionalization of the instruments used.

Note number 38 of the Consolidated Financial Statements for 2023 includes a description of significant off-balance sheet items in terms of entities, objects and values, as well as a description of financial instruments in terms of:

- risks: price changes, credit risks, significant disruptions in cash flows and loss of financial liquidity to which the Capital Group is exposed;
- the objectives and methods of financial risk management adopted by the Capital Group, including methods of securing significant types of planned transactions for which hedge accounting is used.

7. Information on shareholders holding large blocks of Issuer's shares

According to the knowledge of the Company as at the date of hereby report, the following shareholders hold at least 5% of votes at the general meeting of shareholders:

Name of the shareholder	Number of shares held (in pcs.)	Number of votes held	% of votes in total number of votes	% of share capital
1. Steven Tappan	1 002 450	1 002 450	49.97	50.00
2. Otwarty Fundusz Emerytalny PZU „Złota Jesień”.	284 916	284 916	14.02	14.21

Company's share capital amounts to PLN 2,005,000 and is divided into 2,005,000 shares with a nominal value of PLN 1.

There are no securities that would give special control rights in relation to the Issuer.

There are no restrictions on the transfer of ownership of the Issuer's securities.

8. Description of the principles regarding the appointment and dismissal of managing persons and their rights

Persons serving in the Issuer's Management Board are appointed by its Supervisory Board. The term of office of the Issuer's Management Board lasts three years. Powers of the managing

persons are defined by the Statute of Prochem S.A. and they do not go beyond the framework set by the Commercial Companies Code. In particular, the right to decide on the issue or redemption of shares has only a General Meeting of Shareholders.

9. Description of the principles for amending the statute or articles of association of the Issuer.

The principles of amendment the statute or the articles of association of the Issuer are determined in accordance with the provisions of the Code of Commercial Companies.

10. Procedure of the General Meeting of Shareholders of Prochem S.A.

Procedure of the General Meeting of Shareholders of Prochem S.A. and its basic powers, and descriptions of the rights of shareholders and the way of their exercising are contained in the Statutes of Prochem S.A. and in the Bylaw of the General Meeting of Prochem S.A. Above mentioned documents are available on the website of Prochem S.A. www.prochem.com.pl.

11. The composition and the changes that occurred during the last financial year, and description of the activities of the Management Board, Supervisory Board or administrative authorities of the Issuer and of their committees

In the period from January 1, 2023 to December 31, 2023, there were no changes in the composition of the Company's Management Board.

As at the date of preparation hereby separate financial statements, the Management Board 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

The three-year joint term of office of the company's management board began on June 25, 2021.

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

- Marek Garliński
- Paweł Bielski
- Jarosław Stępniewski
- Wiesław Kiepiel
- Karol Żbikowski

In the period from January 1, 2023 to December 31, 2023, there was a change in the composition of the Company's Supervisory Board. Ordinary General Meeting of Prochem S.A. by Resolution No. 24 of June 14, 2023, dismissed Mr. Andrzej Karczykowski from the position of

member of the Supervisory Board. By resolution No. 25 of June 14, 2023, appointed Mr. Paweł Bielski as a member of the Supervisory Board of the XI th joint term of office.

Description of the operation of the Management Board is contained in the Bylaw of the Management Board, and description of the operation of the Supervisory Board in the Bylaw of the Supervisory Board. These documents are available on the website of the Issuer www.prochem.com.pl.

On August 25, 2020 the Issuer's Supervisory Board appointed an Audit Committee composed of:

Karol Żbikowski - Chairman of the Audit Committee

Marek Garliński - Member of the Audit Committee

Wiesław Kiepiel - Member of the Audit Committee

Mr. Karol Żbikowski and Mr. Wiesław Kiepiel meet the statutory independence criteria and, due to their education and professional experience, have the necessary knowledge and skills in accounting.

Mr. Marek Garliński due to his education and professional experience (Mr. Garlinski performed the function of the President of the Management Board of Prochem S.A. for 11 years) has the necessary knowledge and skills in the industry in which the Issuer operates.

Company Misters Audytor Adviser sp. z o.o. in addition to auditing financial statements also provides evaluation service on the report on remuneration.

Main assumptions of the audit company's selection policy for the audit and audit policy of the audit company conducting the audit, by entities related to this audit company and by a member of the network of audit firms of permitted non-audit services:

1. According to § 22 section 2 item 9 of the Statutes of the Company, the audit company is selected to audit financial statements by the Supervisory Board.
2. The Supervisory Board, when setting the policy of selecting an audit company, is primarily aimed at the high quality of financial information, which is addressed to the Company's stakeholders.

While accomplishing above objective, the Supervisory Board and the Audit Committee which was selected from its composition perform the tasks of supervising the accounting system, internal control and risk management as well as selecting an audit company and monitoring the financial audit process.

3. The audit company is selected for a period not shorter than 2 years and not longer than 5 years. The decision on such the period selected is taken by the Supervisory Board.

4. When submitting the offer, the auditing companies are bound to meet the following formal requirements:
 - a. Documentary evidence for an entry in the list of audit companies kept by the National Council of Statutory Auditors as well as in the list of audit companies carrying out statutory audits in the public interest entities in the previous year together with the information referred to in Art. 16 section 3 letter a) of Regulation No. 537/2014.
 - b. Documentary evidence of having a third party liability insurance.
Submission of a statement on having an internal quality control system with the commitment to develop and made available by the Offering side of a policy of quality control of the order execution in case of selecting a company to audit financial statements of Prochem S.A.
 - c. Submission of a statement of no obstacles in carrying out the audit of financial statements of Prochem S.A. which were marked in Art. 69 sections 7 and 9 of the Act of May 11, 2017 on statutory auditors, audit companies and public supervision (hereinafter: the Act), in the event when this company is selected
 - d. Submission of the Offering side independence statement, under pain of of criminal responsibility for a false statement .
 - e. Submission of the statement whether the Offering side was punished for violation of the provisions of the Act or Regulation No. 537/2014
5. The evaluation of offers submitted by audit companies is based on the following criteria:
 - a. The amount of remuneration for auditing financial statements of the Company PROCHEM S.A. and its subsidiaries.
 - b. The number of statutory auditors employed by the audit company and their professional qualifications, and in particular, is the qualifications of statutory auditor who will perform the function of a key statutory auditor.
 - c. Experience in auditing financial statements of companies listed on the regulated market of the Warsaw Stock Exchange S.A.
 - d. Industry specialization.
 - e. The description of the audit methodology presented by the company,
 - f. The schedule of audits carried out by the auditing company.
6. The Audit Committee may set additional selection criteria.

The recommendation to select an audit company to conduct the audit has met the applicable conditions and was prepared following the selection procedure organized by the Issuer that met the applicable criteria.

In 2023 the Audit Committee held four meetings.

12. Proceedings pending before the court, competent authority for arbitration or public administration body

Companies from the PROCHEM S.A. Capital Group are not a party to any proceedings before the court, competent authority for arbitration or public administration body, which value constitutes at least 10% of its equity.

Companies from the PROCHEM S.A. Capital Group also are not a party to two or more any proceedings before the court, competent authority for arbitration or public administration body, which total value constitutes at least 10% of its equity.

13. Information on basic products and services of the Prochem S.A. Capital Group.

The subject of activity of the companies belonging to the PROCHEM S.A. Capital Group is the provision of services and the sale of materials and goods related to:

- construction: designing, general contracting, project management, technical consultancy, general construction works, installation and assembly services and rental of construction equipment;
- rental of office space;
- technical consulting, development and implementation of new technologies, integration of IT systems.

Revenue from the sale of these services in 2023 was 28.1% higher than those achieved in the previous year.

Breakdown of revenues by separate types of activity and their structure is shown below:

(Revenues in PLN thousands)

DESCRIPTION	IN 2023	IN 2022
REVENUE FROM SALES OF SERVICES TOTAL	279 549	218 243
Of which :		
- sale of engineering and construction services	273 402	209 182
- space rental	5 528	4 850
- sale of other services	619	4 211

14. Breakdown into sales markets for the sale of services in 2023

The share of export in the sale of services in 2022 was 0%.

The recipients of the Group's services, whose share in sales revenues in 2022 exceeded 10%, were:

- Foosung Poland Sp. z o.o. - 23% share in revenues from the sale of services;
- Bioagra S.A. - 22% share in revenues from the sale of services;
- Anwil S.A. – 16% share in revenues from the sale of services.

There are no other formal ties with these entities, apart from commercial agreements.

15. Information on concluded agreements significant for the operations of the Capital Group of Prochem S.A.

The main revenues of the Prochem S.A. Capital Group expected in 2024 will be obtained as a result of the implementation of contracts for the provision of execution services for Foosung Poland Sp. z o.o., Anwil S.A., Bioagra S.A. and design services for Foosung Poland Sp. z o.o., ElectroMobility Poland S.A., PCC, Posco Engineering & Construction and Bechtel Polska.

The Issuer is not aware of any agreements concluded between the shareholders of Prochem S.A. that would be significant for the business activity of the Capital Group of Prochem S.A.

16. Information on organizational or capital connections of the Capital Group of Prochem S.A. and major capital investments made within the Capital Group

The Issuer does not have any branches or plants, but has the following direct or indirect subsidiaries as well as associated and jointly controlled entities:

Subsidiaries consolidated using the full method:

- Prochem Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- PKI PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (91.4% of share in capital and profit, 91.4% of votes), including 85.7% of share in capital and voting rights belongs to Prochem Inwestycje subsidiary in 100%;
- Prochem Zachód Sp. z o.o. seated in Warsaw – subsidiary directly (80.0%);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (91.8%), including 57.49% of share in capital and voting rights belongs to 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 belongs to Prochem Inwestycje);
- Irydion Sp. z o.o. seated in Warsaw – subsidiary directly (100%).

Associated entities and jointly controlled entities consolidated using the equity method:

- ITEL Sp. z o.o. z seated in Gdynia – 42.0% of share (18.7% of share in voting rights and capitals belongs directly to Prochem S.A. and 23.3% belongs to Prochem RPI Sp. z o.o. subsidiary (in 100%).

The principle adopted for consolidation is not to include in the consolidation entities that do not conduct business - financial data of these companies do not distort information on the financial results of the Prochem S.A. Group. Companies not included in consolidation:

- Predom Projektowanie Sp. z o.o. seated in Wrocław – subsidiary

Subsidiaries, associates and jointly controlled entities included in the consolidation were included in the consolidated financial statements starting from the date of taking control by the parent company.

17. Related party transactions.

In 2032, no significant transactions were concluded between the companies of the Issuer's Capital Group on terms other than market conditions.

18. Information on credits and loans contracted

Name of the bank	Seat	Loan limit	Amount engaged	Repayment date	Terms of interest	Security
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By Prochem S.A.

mBank S.A.	Warsaw	4 000	0	29.08.2024	WIBOR ON PLN plus margin. Interest is charged annually on the amount of the loan used	Promissory note in blank
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By Elektromontaż Kraków S.A.

mBank S.A.	Warsaw	1 500	729	29.02.2024	WIBOR ON + margin	Mortgage + promissory note
ING Bank Śląski	Katowice	3 000	1 823	19.11.2024	WIBOR for 1-month deposits in PLN + margin	Mortgage + promissory note

19. Information on loans granted

As at 31 December 2023, the Group has no receivables under loans granted.

20. Information on guarantees and sureties granted and received

The total value of sureties and guarantees granted by the companies from the Capital Group related to operating activities as at 31 December 2023 is PLN 48,426 thousand, including :

- bank guarantees of good performance of services – PLN 44,551 thousand;
- tender guarantee – PLN 2,500 thousand;
- rent payment guarantee – PLN 1,375 thousand;

The total amount of contingent receivables under guarantees of good performance and statutory warranty received as at December 31, 2023 is PLN 12,143 thousand.

In 2023, the Group companies did not provide loan repayment guarantees to related parties.

21. Description of the use of the proceeds from the issue

In 2023 the companies from the Capital Group did not issue any securities.

22. Explanation of differences between the achieved financial result and forecasts

In 2023 the Prochem S.A. Capital Group did not publish forecast of financial results.

23. Assessment of the management of financial resources

In 2023 any disruptions of financial liquidity in the Prochem S.A. Capital Group did not occur. Both the level of financial resources held by the companies from the Capital Group and the available credit lines allow for the timely fulfilment of contracted liabilities.

24. Assessment of the feasibility of investment plans

Since 2013 the subsidiary Irydion carried out the construction and commercialization of the office and service building in Warsaw under the name of Astrum Business Park. In 2022, the process of selling the office building was completed. Currently, the Issuer is analyzing the possibilities of safe investment of funds obtained as a result of the transaction.

25. Assessment of factors and unusual events affecting the financial results achieved

The financial results achieved in 2023 were significantly affected by a strong increase in the prices of construction goods and services as a result of the war in Ukraine that began in February 2022. There were restrictions on the availability of certain goods and extension of delivery dates for equipment and materials. As a result of this situation, logistic problems occurred and a significant increase in the costs of implementation contracts conducted by the companies from the Capital Group and, as a result, the activities of the Prochem S.A. Capital Group in 2023 resulted in a net loss of PLN 24.4 million.

26. Characteristics of external and internal factors important for the development of the Prochem S.A. Capital Group in 2024

For the activities of the Capital Group of Prochem S.A. in 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) to start new investment plans.

Management boards of companies from the Prochem S.A. Capital Group monitor the current situation with particular attention and take appropriate actions to adapt their potential and the scope of services provided to the new conditions. Currently, most of the orders held by the companies from the Issuer's Capital Group concern 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 entity's operations.

27. Characteristics of the policy regarding the directions of development of the Prochem S.A. Capital Group

Policy of Prochem S.A. focuses on further consolidation of the Capital Group and adapting its activities to rapidly changing market requirements.

28. Changes in the basic principles of management of the Issuer and of its Capital Group

In 2023 there were no significant changes affecting the principles of management of the Issuer and of its Capital Group.

29. Description of the agreements concluded between the Issuer and managing persons providing for compensation

Contracts of employment concluded by the Issuer with the managing persons provide for compensation in the amount of remuneration for six months in case of dismissing from office of a member of the Management Board, except when the dismissal resulted from reasons attributable to the managing person's obvious fault.

30. Value of remuneration for the Issuer's managing persons and supervising persons

The remuneration paid in 2023 in the Issuer's enterprise to the members of the Management Board and the Supervisory Board was presented in the explanatory notes to the separate financial statements for 2023.

31. The total number of shares of the Issuer and related entities held by the persons managing and supervising the Issuer

As at the date of the financial statements the following members of the Company's Management Board and the Supervisory Board held shares in 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.

Managing persons and supervising persons do not hold any shares in related entities.

32. Information on contracts that may result in changes in the proportions of shares held by existing shareholders

The Issuer is not aware of any agreements that may result in changes in the proportions of shares held by existing shareholders.

33. Information on the system of controlling employee share programs

In companies from the Prochem S.A. Capital Group, there is no employee share program.

34. Information on the agreement with the entity authorized to audit the Issuer's financial statements

On the basis of the resolution of the Supervisory Board of Prochem S.A. of May 20, 2020 on the selection of an auditor on June 9, 2020, an agreement was concluded with the entity authorized to audit financial statements, Misters Audytor Adviser sp. z o. o. for the audit and review of the separate and consolidated financial statements of Prochem S.A. The agreement was concluded for the audit of the financial statements for 2020, 2021 and 2022. The total amount of remuneration for Misters Audytor Adviser sp. z o. o. resulting from the agreement is PLN 18,300 net for the review of financial statements for 2022 and PLN 58,400 for the audit of financial statements for 2022.

Additionally, in connection with the assessment of the remuneration report for 2022, Misters Audytor Adviser sp. z o. o. received a remuneration of PLN 7,800. net.

In connection with the audit and review of financial statements for 2021, Misters Audytor Adviser sp. z o. o. received remuneration of PLN 70,700 net.

Additionally, in connection with the assessment of the remuneration report for 2021, Misters Audytor Adviser sp. z o.o. received a remuneration of PLN 7,800 net.

In 2023 on the basis of the resolution of the Supervisory Board of Prochem S.A. of May 24, 2023 on the selection of an auditor on September 6, 2023, an agreement was concluded with the entity authorized to audit financial statements, Misters Audytor Adviser sp. z o. o. for the audit and review of the separate and consolidated financial statements of Prochem S.A. The agreement was concluded for the audit of the financial statements for 2023, 2024 and 2025. The total amount of remuneration for Misters Audytor Adviser sp. z o. o. resulting from the agreement is PLN 48,300

net for the review of financial statements for 2023 and PLN 81,700 for the audit of financial statements for 2023.

Additionally, in connection with the assessment of the remuneration report for 2023 Mistery Auditor Adviser sp. z o.o. will receive remuneration of PLN 9,000 net.

Michał Dąbrowski

Krzysztof Marczak

Marek Kiersznicki

Member
of the Management Board

Vice President
of the Management Board

President
of the Management Board