

Prochem S.A. Report of the independent auditor on the audit of financial statements

**Report on the audit of the annual financial
statements for the financial year ended 31st
December 2024**

**Prochem S.A.,
headquartered in Warsaw, Poland**

Misters Audytor Adviser Spółka z o. o.
Warsaw, April 25, 2025

Report of the independent statutory auditor on the audit For Shareholders' Meeting of Prochem S.A.

Report on the audit of the annual financial statement

Opinion

We have audited the annual financial statements of Prochem S.A. (the "Company"), which comprise the statement of financial position as of December 31, 2024, and the income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows for the fiscal year from January 1 to December 31, 2024, and notes to the financial statements, including information on significant accounting policies and other explanatory information (the "financial statements"). In our opinion, the accompanying financial statements: - give a true and fair view of the Company's assets and financial position as of December 31, 2024, and of its financial performance and cash flows for the year then ended in accordance with the applicable International Financial Reporting Standards as approved by the European Union and with the adopted accounting principles (policies); - comply in form and content with the applicable laws and the Company's Articles of Association; - have been prepared on the basis of properly maintained accounting records in accordance with the provisions of Chapter 2 of the Act of Sept. September 29, 1994 on accounting ("Accounting Act" - i.e. Journal of Laws of 2023, item 120, as amended).

This opinion is consistent with the supplementary report to the Audit Committee that we issued on April 25, 2025.

Basis for the Opinion

We conducted our audit in accordance with the National Auditing Standards in the wording of the International Auditing Standards adopted by Resolution of the National Board of Statutory Auditors No. 3430/52a/2019 dated March 21, 2019 on national auditing standards and other documents, as amended. and Resolution No. 38/I/2022 of the Board of the Polish Audit Supervision Agency dated November 15, 2022 on National Quality Control Standards and National Audit Standard 220 (Amended) ("NSB"), and in accordance with the Act of May 11, 2017 on Statutory Auditors, Audit Firms and Public Supervision ("Act on Statutory Auditors" - i.e. Dz. U. of 2024, item 1035, as amended) and EU Regulation No. 537/2014 of April 16, 2014 on detailed requirements for statutory audits of public-interest entities, repealing Commission Decision 2005/909/EC ("EU Regulation" - Official Journal of the EU L 158 of May 27, 2014, p. 77, as amended). Our responsibility under these standards is further described in the section of our report Auditor's responsibility for the audit of the financial statements.

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We are independent of the Company in accordance with the ethical principles set forth in the “Handbook of the International Code of Ethics for Professional Accountants (including International Standards of Independence)” adopted by Resolution No. 207/7a/2023 of the National Council of Certified Public Accountants dated December 17, 2023 on the establishment of principles of professional ethics for certified public accountants, as amended, (the “Code of Ethics”), and other ethical requirements that apply to auditing in Poland. We have fulfilled our other ethical obligations in accordance with these requirements and the Code of Ethics. During the course of the audit, the key auditor and the audit firm remained independent of the Company in accordance with the independence requirements of the Act on Statutory Auditors and the EU Regulation. We believe that the audit evidence we obtained is sufficient and appropriate to form the basis of our opinion.

Explanation - material uncertainty regarding going concern

We draw your attention to Note 42 of the notes to the financial statements, in which the Company's management has presented significant uncertainties about the Company's ability to continue as a going concern. The uncertainties are related to a significant net loss and a decline in the Company's equity. Management indicates that the loss is related to two contracts. In addition, in 2024, there were unfavorable trends in the macroeconomic environment affecting the withholding of orders from investors. The Management Board assesses that the events were one-time in nature, the losses incurred were covered by the Company's own funds and current liabilities are paid on time. Taking into account the Company's order backlog, submitted bids and changes in the economic environment, the Management Board believes the Company should regain profitability in 2025. Our opinion does not contain an objection to this case.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were most significant during the audit of the financial statements for the current reporting period. They include the most significant assessed risks of material misstatement, including assessed risks of material misstatement due to fraud. We have addressed these matters in the context of our audit of the financial statements as a whole and in forming our opinion, and we have summarized our response to these risks and, where we considered it appropriate, provided key observations related to these risks. We do not express a separate opinion on these matters.

Key audit matters

How our audit addressed the issue

Settlement of long-term contracts

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As a result of the valuation of uncompleted construction contracts, the Company recognized an asset for the excess of revenue due over invoiced in the amount of PLN 21,168 thousand in the financial statements as of December 31, 2024. In accordance with International Financial Reporting Standard No. 15 "Revenue from Contracts with Customers" ("IFRS 15"), the Company determines revenue from construction, design and engineering services contracts in proportion to the stage of completion of the service, which is measured by the proportion of costs incurred to budgeted costs. The method of revenue recognition for the above-described contracts requires a significant element of judgment by the Board of Directors with respect to the identification of performance obligations and significant estimates by the Board of Directors with respect to the degree of completion. Since making an inappropriate judgment or estimate by the Management in these areas may result in an erroneous determination of revenue from contracts with customers, we consider this issue to be a key audit matter.

Our audit procedures included, in particular:

- understanding and evaluating the Company's process for determining the degree of progress; for selected control mechanisms, we performed compliance tests,
- assessment of the compliance of the adopted accounting policy for revenue recognition with the relevant financial reporting standards,
- on a selected sample, we performed reliability tests of the contract budgets that formed the basis for determining the stage of completion, determining the transaction price and recognizing revenue, as well as determining the contract budgets that formed the basis for calculating provisions,
- historical analysis of the performance of contract budgets for significant contracts completed in the fiscal year in order to compare forecasts and budgets of contracts not completed and to assess the accuracy of management's estimates,
- we held discussions with the Company's management to discuss assumptions regarding budgets and risks and the degree of progress of work on ongoing contracts, the likelihood of changes in contract performance and the impact of events after the balance sheet date on the performance of individual contracts,
- we assessed the adequacy of the presentation and disclosures made in the financial statements regarding revenue from contracts with customers.

As a result of our procedures, we did not identify any material issues resulting in adjustments to the financial statements.

Responsibility of the Management Board and Supervisory Board for the financial statements

The Company's management is responsible for the preparation, on the basis of properly maintained accounting records, of financial statements that give a true and fair view of the Company's financial position and results in accordance with International Financial Reporting Standards as approved by the European Union, the accounting principles (policies) adopted and the Company's applicable laws and the Articles of Association, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Company's Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, if applicable, matters related to going concern, and adopting the going concern basis of accounting, except when the Board of Directors

Prochem S.A. Report of the independent auditor on the audit of financial statements either intends to liquidate the Company or to discontinue operations or has no viable alternative to liquidation or discontinuance.

The Company's Management Board and members of the Supervisory Board are responsible for ensuring that the financial statements meet the requirements of the Accounting Act. Members of the Supervisory Board are responsible for overseeing the Company's financial reporting process.

Auditor's responsibility for audit of financial statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error and to issue an audit report containing our opinion. Reasonable assurance is a high level of assurance but does not guarantee that an audit performed in accordance with the NSB will always detect an existing material misstatement. Distortions may arise from fraud or error and are considered material if they could reasonably be expected to individually or in the aggregate affect the economic decisions of users made on the basis of those financial statements. The concept of materiality is applied by the auditor both in planning and performing the audit and in assessing the impact of the distortions identified during the audit and uncorrected distortions, if any, on the financial statements, as well as in formulating the auditor's opinion. Accordingly, all opinions and statements contained in the audit report are expressed taking into account the qualitative and value level of materiality, as determined in accordance with auditing standards and the auditor's professional judgment.

The scope of the audit does not include assurance as to the future profitability of the Company or the efficiency or effectiveness of the Company's management of its affairs now or in the future.

During a KSB-compliant examination, we use professional judgment and maintain professional skepticism, as well:

- we identify and assess the risks of material misstatement of the financial statements due to fraud or error, design and perform audit procedures appropriate to those risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is greater than that resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentation or circumvention of internal controls;
- we obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- We assess the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by the Company's management;

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- we reach a conclusion on the appropriateness of the Company's management's application of the going concern basis of accounting and, based on the audit evidence obtained, whether there is a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to related disclosures in the financial statements or, if such disclosures are inadequate, we modify our opinion. Our conclusions are based on audit evidence obtained up to the date of our auditor's report; however, future events or conditions may cause the Company to cease operations as a going concern;

- We evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements present the underlying transactions and events in a manner that ensures a fair presentation.

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

We make a statement to the Supervisory Board that we have complied with the relevant ethical requirements for independence and that we will inform them of all relationships and other matters that could reasonably be considered to pose a threat to our independence, and where applicable, we report on the safeguards that have been applied.

Of the matters reported to the Supervisory Board, we have identified those matters that were most significant during our audit of the financial statements for the current reporting period and therefore considered them to be key audit matters. 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 matter should not be presented in our report because the negative consequences could reasonably be expected to outweigh the benefit of such information to the public interest.

Other Information, Including the Report on the Activities

Other information consists of the Company's Business Report for the fiscal year ended December 31, 2024 (the "Business Report") together with the Corporate Governance Statement, which is a separate part of this Business Report, and the Annual Report for the fiscal year ended December 31, 2024 (the "Annual Report") (together "Other Information").

Responsibility of the Management Board and Supervisory Board

The Company's Board of Directors is responsible for preparing Other Information in accordance with the law.

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The Company's Management Board and the members of the Supervisory Board are required to ensure that the Company's Management Report, including the separated parts, meets the requirements provided for in the Accounting Act.

Responsibility of the statutory auditor

Our audit opinion on the financial statements does not include Other Information. In connection with our audit of the financial statements, it is our responsibility to review the Other Information and, in doing so, to consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears materially distorted. If, based on the work performed, we find material misstatements in the Other Information, we are required to disclose this in our audit report. Our duty under the requirements of the Auditors Act is also to issue an opinion as to whether the management report has been prepared in accordance with the regulations and whether it is consistent with the information contained in the financial statements. In addition, we are required to report on whether the Company has prepared a statement on non-financial information and to issue an opinion on whether the Company has included the required information in its corporate governance statement.

We obtained the Company's management report before the date of this audit report, and the Annual Report will be available after that date. In the event that we find a material misstatement in the Annual Report, we are required to inform the Company's Supervisory Board.

Opinion on the Report on the Activities

Based on the work done in the course of the audit, in our opinion, the Company's Management Report:

- has been prepared in accordance with Article 49 of the Accounting Act and paragraph 70(6) of the Regulation of the Minister of Finance dated March 29, 2018 on current and periodic information provided by issuers of securities and conditions for recognizing as equivalent information required by the laws of a non-member state ("Regulation on Current Information" - Journal of Laws of 2018, item 757, as amended);

- is consistent with the information contained in the financial statements.

In addition, in light of the knowledge of the Company and its environment obtained during our audit, we declare that we have found no material misstatements in the Company's MD&A.

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Opinion on the corporate governance statement

In our opinion, the Company has included in the corporate governance statement the information indicated in paragraph 70 (6) (5) of the Current Information Ordinance. In addition, in our opinion, the information indicated in Paragraph 70, Paragraph 6, Item 5, Points c-f, h and i of this Regulation contained in the corporate governance statement is consistent with the applicable regulations and the information contained in the financial statements.

Report on other legal and regulatory requirements

Statement on non-audit services provided

To the best of our knowledge and belief, we declare that the non-audit services that we have provided to the Company and its subsidiaries comply with the laws and regulations of Poland and that we have not provided non-audit services that are prohibited under Article 5(1) of the EU Regulation and Article 136 of the Law on Certified Public Accountants. The non-audit services that we provided to the Company and its subsidiaries during the period under review are listed in Note 33 of the Company's Management Report.

Selection of an audit firm

We were selected to audit the Company's financial statements by a resolution of the Company's Supervisory Board dated June 09, 2020 and again by a resolution dated May 24, 2023. We have audited the Company's financial statements continuously starting from the fiscal year ended December 31, 2018, that is, for 7 consecutive years.

The key auditor responsible for the audit resulting in this independent auditor's report is Bożena Grzegorzcyk.

Acting on behalf of Misters Audytor Adviser Sp. z o.o., seated in Warsaw, registered in the list of auditing firms under number 3704, on whose behalf the key auditor audited the financial statements

Bożena Grzegorzcyk, No. 12119

Warsaw, April 25, 2025.