

MANAGEMENT BOARD REPORT
ON THE ACTIVITIES OF THE PROCHEM S.A.
CAPITAL GROUP IN THE FIRST HALF OF 2025

Warsaw, 26 September 2025

1) Principles of presentation of financial statements

Principles of preparation of the consolidated financial statements of the Prochem S.A. Capital Group for the first half of 2025 have been included in Explanatory Notes to the financial statements.

2) Brief description of significant achievements or failures of the Issuer in the period covered by the report, together with a list of the most important events concerning the Issuer

In the first half of 2025 the Prochem S.A. Capital Group achieved revenues from basic activity in the amount of PLN 48 million. They are PLN 37 million lower than those achieved in the first half of 2024. As a result of the decline in sales revenue, the Capital Group recorded a net loss on operating activities in the amount of PLN 6.6 million.

3) Indication of factors and events including those of unusual nature, having a significant impact on the condensed financial statements

The results of the Prochem S.A. Capital Group reflect the problems currently faced by the construction industry in Poland resulting from the slowdown in investments, which in turn causes unhealthy price competition and difficulties in obtaining new orders. The weaker results in the first half of the year were also caused by the completion of contracts concluded under the general contracting formula before February 2022, as well as the postponement in time by the clients of the Capital Group of the commencement dates of already obtained contracts for the implementation of new investments resulting from the uncertain situation in the economic environment.

4) Description of significant risk factors and threats to the activity of the Issuer's Capital Group

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

Economic fluctuations in the investment market

Part of the companies from the Capital Group provide services in the investment market, characterized by a large scale of fluctuation in demand, strongly related to the overall macroeconomic situation of the country and which is currently very strongly affected by the coronavirus pandemic. Methods used by the Group to limit the negative impact of this factor on financial results (accumulation of financial reserves, diversification of services provided, using appropriate IT tools and solutions), may not fully neutralize this risk.

Possibility of the threat occurrence at execution of contracts

Types of activity conducted by the companies from 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.

Dependence on the staff

The risk of becoming dependent on the staff occurs especially in the parent company. Raising the quality of services provided, undertaking the implementation of complicated technological projects, the use of modern IT systems, and the work for the renowned clients require from the staff the highest professional qualifications. Acquiring such people, especially in the situation of the liberalization of the European labor market can be difficult. The Company is trying to minimize such treat by raising qualifications of the staff employed and using incentive programs associating employees with the company.

Exchange rate risk

Part of contracts for the sale of services (mainly of the Parent Entity) is concluded with foreign companies in foreign currencies (EUR, USD). In case of a significant strengthening of the domestic currency, it may have an unfavorable 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.

Risk of dependence on significant service buyers

The execution of contracts for implementation with a significant value by the companies from 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 involve 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 hedged 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.

5) Description of the organization of the capital group indicating consolidated entities

In the Capital Group of Prochem S.A. (referred to as the "Capital Group", "Group"), in addition to the data of the Parent Entity, there are the following direct and indirect subsidiaries:

Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- PKI PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly, 89.6% share in capital and voting rights belongs to Prochem Inwestycje subsidiary in 100%;
- Prochem Zachód Sp. z o.o. seated in Warsaw - subsidiary directly (100.0%);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (91.8%), including 57.49% 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% share in capital and voting rights belongs to Prochem Inwestycje);
- Irydion Sp. z o.o. seated in Warsaw - subsidiary directly (100%).

Subsidiaries covered by consolidation were included in the consolidated financial statements from the date of taking control until the date of loss of control by the Parent Company, and jointly controlled and associated entities from the date of exercising joint control and exercising significant influence.

6) Indication of effects of changes in the structure of the capital group, including as a result of a merger of business units, takeover or sale of units of the issuer's capital group, long-term investments, division, restructuring and discontinuation of operations

In March 2025, company IRYDION, pursuant to the Resolution of the Extraordinary Meeting of Shareholders of March 25, 2025, which consented to the acquisition of no more than 8,800 own shares with a total nominal value of PLN 8,800,000.00 for the purpose of their redemption, for a remuneration of PLN 2,140.00 per share, i.e. for a total remuneration of PLN 18,832,000.00, concluded a share purchase agreement for the purpose of their redemption. The consideration for the purchased shares will be paid within 21 days from the date of entry of the redemption of the purchased shares and the reduction of the share capital in the National Court Register, but no later than March 15, 2026. Prochem S.A. sold 8,800 shares for PLN 18,832,000.

7) The position of the Management Board regarding the possibility of meeting the previously published forecasts of results for a given year, in the light of the results presented in the interim report in relation to the forecast results

Company Prochem S.A. did not publish forecasts neither of the financial results of the company nor the Prochem S.A. Capital Group for 2025.

8) Shareholders holding, directly or indirectly through subsidiaries, at least 5% of the total number of votes at the issuer's general meeting as at the date of submitting the quarterly report along with an indication of the number of shares held by these entities, their percentage share in the share capital, the resulting number of votes and their percentage share in the total number of votes at the general meeting, and an indication of changes in the ownership structure of significant blocks of the issuer's shares in the period from the date of submitting of the previous report

According to the information available to the Company as at the date of submitting this report, the following shareholders hold at least 5% of the votes at the general meeting of shareholders:

Name of the shareholder	Number of shares held (in pcs.)	Number of votes held	% of votes in the total number of votes	% share in share capital
1. Steven Tappan	1 002 500	1 002 500	50.00	50.00
2. Otwarty Fundusz Emerytalny PZU „Złota Jesień”	284 916	284 916	14.21	14.21

In the first half of 2025, there were no changes in the number of shares held by shareholders with at least 5% of votes at the general meeting of shareholders.

9) Summary of changes in the ownership of the issuer's shares or rights to them (options) by persons managing and supervising the issuer, in accordance with the information available to the issuer, in the period since the submission of the previous report

As at the date of submitting hereby report, the following members of the Management Board and Supervisory Board of the company held shares of PROCHEM SA:

- Marek Kiersznicki – 44,327 pcs.;
- Krzysztof Marczak – 30,268 pcs.;
- Marek Garliński – 27,977 pcs.;
- Jarosław Stępniewski – 50,206 pcs.;
- Steven Tappan – 1,002,500 pcs..

The nominal value of 1 share is PLN 1.

In the first half of 2025, there were no changes in the number of shares held by managing and supervising persons.

10) Indication of proceedings pending before a court, an authority competent for arbitration proceedings or a public administration body, taking into account the information in the scope:

- a) proceedings concerning liabilities or receivables of the issuer or its subsidiary, the value of which is at least 10% of the issuer's equity, specifying: the subject of the proceedings, the value of the subject of dispute, the date of initiation of the proceedings, the parties to the proceedings and the issuer's position,
- b) two or more proceedings regarding liabilities and receivables, the total value of which is respectively at least 10% of the issuer's equity, specifying the total value of proceedings separately in the group of liabilities and receivables together with the issuer's position in this matter and, in relation to the largest proceedings in the group of liabilities and the group of claims - with an indication of their subject matter, the value of the subject of

the dispute, the date of initiation of the proceedings and the parties to the proceedings initiated.

Companies from the PROCHEM S.A. Capital Group are not a party to proceedings or two or more proceedings concerning liabilities or receivables of the issuer or its subsidiary, the total value of which is at least 10% of the issuer's equity.

11) Information on the conclusion by the issuer or its subsidiary of one or more transactions with related entities, if they are individually or jointly significant and were concluded on terms other than market terms:

- a) the subject of the transaction,
- b) relations between the issuer or its subsidiary and the entity that is a party to the transaction,
- c) significant terms of the transaction, with particular emphasis on the financial terms and an indication of specific terms and conditions specified by the parties, specific to this contract, in particular different from the terms commonly used for a given type of contract.

In the first half of 2025, there were no significant transactions with related entities in the Prochem S.A. Capital Group concluded on terms other than market conditions.

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

In the first half of 2025, the companies of the Capital Group did not grant any sureties or guarantees.

13) Other information that, in the issuer's opinion, is significant for the assessment of the personnel, property, financial standing, financial result and their changes, and information that is significant for the assessment of the ability of companies from the issuer's group to meet their obligations

The level of debt and the financial liquidity ratio of companies from the Issuer's capital group do not indicate the risk of inability to meet obligations, which makes them reliable partners in economic transactions.

14) Indication of factors which, in the issuer's opinion, will affect the results achieved by the capital group in the perspective of at least the next quarter

The operations of the Prochem S.A. Capital Group in the subsequent quarters of 2025 will be significantly influenced by the macroeconomic environment, in particular the course of the war in Ukraine and the participation of the Companies from the Capital Group in tender procedures and in the preparation of projects submitted for financing from the National Reconstruction Plan in the field of improving energy efficiency, electromobility, renewable energy sources and the circular economy, loan interest rates, inflation level and the related prices of energy and construction materials and services. All these factors significantly influence the decisions made by potential customers of the Prochem S.A. Capital Group (in particular industrial companies) to start new investment plans. The Group has several large, long-term design and implementation contracts (expansion of the Oilseed Processing Plant, construction of a liquefied CO₂ production facility, cooperation on a nuclear power plant project, project of a battery components factory), which are in the initial phase of implementation and in the near future will allow for an increase in revenues and achievement of a positive margin on operations, and will significantly improve business results.

Michał Dąbrowski
Vice President
of the Management
Board

Krzysztof Marczak
Vice President
of the Management
Board

Marek Kiersznicki
President
of the Management
Board