

Letter of the President of the Management Board to the Shareholders

Dear Sirs,
Our Shareholders, Clients and Partners

On behalf of the Management Board of the Joint Stock Company PROCHEM I am pleased to present a summary of the major achievements of the year 2018, as well as to provide you with an insight into the priority tasks we have set to accomplish in the 2019 year.

Last year proved to be difficult for PROCHEM, despite this the Company ended it in an optimistic mood. Along with each subsequent quarter, the company gained new orders, further contracts were signed. These activities allow to look optimistically forward to the upcoming months. Recently, several promising offers for our recurring customers have also been submitted.

We significantly increased sales revenues to PLN 99.0 million in PROCHEM S.A. and PLN 153.2 million in the Capital Group. In terms of personnel stability, the year should also be assessed positively. The average annual employment in PROCHEM increased by 6 FTEs compared to the previous year and amounted to 183 FTEs in 2018.

In the engineering activities of PROCHEM, and especially taking into account comprehensive topics, including both design and implementation services, the Company's cooperation with a regular Customer - company Bioagra should be emphasized. Last year, we participated in the extension program of Biofuel Production Plant in Goświnowice. The cooperation concerned, among others, intensification of specialized technological installations and new facilities, such as cogeneration. Comprehensive services provided for Bioagra is definitely a very substantial and important topic, with a total value of over PLN 200 million. In 2018, the first stage of the extension of the plant in Goświnowice was finished, and pleases us the fact that we managed to cope with extremely tight deadlines.

This year, PROCHEM faces the most important part of implementation of this investment. Work will be done in a specially appointed task team. The high quality of our work, the use of the latest methods and working tools, as well as specialized personnel have contributed to obtaining by PROCHEM of the opinion of a trustworthy partner in engineering topics requiring advanced technological and technical solutions.

Recently, the Company has started a number of topics related to cubature objects. First and foremost, the modernization of buildings of the National Library in Warsaw should be mentioned. This is a very demanding topic, difficult both in terms of organization and technically.

In the design work activity, in 2018, energy topics predominated in PROCHEM. We still continue to cooperate with GE Power. We hope that our experiences will result in new orders in the field of professional power engineering in the near future.

Currently, the project for Polimex Mostostal - CCGT unit at CHP plant Żerań is already nearing to the completion. A very demanding client, especially in terms of cost optimization of design solutions. The construction of CCGT units is the future of power sector, more than one unit will be built in Poland in the near future. Therefore, our experience in implementing similar topics may prove to be a key issue when acquiring new contracts in this field.

Last year we started cooperation with a new client - an international technology company Kronospan. The investment concerns the installation of resins condensation. This is a topic with a high degree of difficulty. The client has a broad investment program in the nearest plans - we have the chance to maintain a longer cooperation and obtain further orders.

In the summary of last year, I would also like to appreciate the technical consulting activities that we develop in our company in cooperation with research institutes for major companies, including for Lotos and Orlen. Involvement in topics in the early phases, where advisory and technological competence are particularly important, has a chance to give us a profit through new contracts both in the field of design and implementation.

PROCHEM can boast a significant achievement in developer's activities - we have managed to gain the renowned tenants for Astrum Business Park. On this fairly competitive market in Warsaw, where there is an excess of office space, we have acquired tenants almost to the entire facility, over 90% of the space is already leased. We are currently beginning the process of selling the building and closing the entire developers project.

On this occasion, it is worth mentioning the award we received for development of the design documentation in the scope of ventilation and air conditioning in Astrum. It is an award in the Pascal 2018 competition, awarded for creating comfortable working conditions at Astrum Business Park at a reasonable energy cost.

In 2019, we enter with the production capacities being used, design and implementation potential. I look optimistically at the ongoing talks that we have with regular and good clients regarding successive topics.

The incoming months will be an excellent moment to improve the efficiency and profitability of the company's activities. I would also like PROCHEM to maintain the competitive advantage developed in previous years resulting from the implementation of an integrated approach to 3D modelling. It is extremely important that we continue to enjoy the leader's position among design companies using the latest methods and tools in design work.

An important and priority task for 2019 is also the closure of a development project, the bringing to an advantageous sale of Astrum Business Park.

I am convinced that the activities of the Joint Stock Company PROCHEM, the implementation of planned undertakings and the Company's financial results generated over the nearest months will bring satisfaction to our Shareholders, Clients and Partners.

Warsaw, April 2019