

## **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 have a pleasure to present a summary of the most important achievements of the year 2019, as well as I would like to bring closer the priority tasks that were set for accomplishment in the nearest time.

The year 2019 has appeared to be a very good for PROCHEM. During this time, we were engaged in many important and significant investments in the nationwide scale. These topics have tied us with long-term contracts, and cooperation with serious clients as well as prospects for the coming months in the Company allow for optimism, which, however, has been weakened in recent weeks by the difficult to assess effects of the pandemic of coronavirus and its impact on the investment plans of our Contractors.

The revenues achieved in 2019 both in PROCHEM and in companies belonging to the Capital Group are satisfactory. Revenues in PROCHEMIE amounted to PLN 273.1 million, and in the Capital Group amounted to PLN 323.0 million. At the same time, net profit is PLN 3.7 million in PROCHEM and PLN 8.0 million in the Capital Group.

It is worth emphasizing that employment in the company increased by 10% in 2019.

To sum up the year 2019, the topic continued by PROCHEM, which is the expansion of the bioethanol production plant in Goświnowice, including the cogeneration installation, should be emphasized. The investment involved most of our resources in both the design and implementation department. A multi-discipline task team was appointed, thanks to which it was possible to optimize working time and properly coordinate this complex topic. All assumed deadlines have been met. I hope that Bioagra's next investment plans will appear in the future, and our cooperation in subsequent investments and extensions of the plant will continue.

In September 2019, PROCHEM signed an important contract with Anwil, a company from Włocławek being the part of the ORLEN Group. The contract amounts to over PLN 280 million and concerns design works and turnkey execution of infrastructure for the new nitrogen complex in Włocławek. The topic is not easy, it requires coordination with other contractors of production technology installations. One of these contractors is Thyssenkrupp, for which we will also design an installation for nitric acid and neutralization. PROCHEM's cooperation with both Anwil and Thyssenkrupp has been developing successfully for years and has great potential all the time. Thyssenkrupp appreciated our experience and design abilities, and above all three-dimensional modeling skills - combining the PDMS environment with the REVIT environment in all design industries.

The Korean Group FOOSUNG has set a serious task before PROCHEM. We started design work of a plant that produces gels for lithium-ion batteries. This investment is extremely important for the entire electromobility sector on a scale not only of Poland, but also of our part of Europe. A letter of intent was also signed regarding further cooperation with FOOSUNG, there are great chances for continuing cooperation and PROCHEM's involvement in the next phases including the implementation of the investment in Kędzierzyn-Koźle.

Before the Company, activities related to the largest investment in the chemical industry in Poland - Polymers in Police. Works are underway for General Contractor - Hyundai Engineering aiming at checking of the building permit design, and in order to polish this documentation. I hope that the cooperation will also be continued at further stages of designing this investment.

As it comes to the power sector, the topic for the Ostrołęka Power Plant should be mentioned, as in 2019 the Company was involved in this project. By order of GE, comprehensive design documentation was performed and implementation services related to the start-up of auxiliary boiler room were provided for the Ostrołęka Power Plant Block C. In February 2020, the Ordering Party ordered to suspend work on this topic for three months.

The CHP plant in Żerań project made for Polimex can be considered as practically completed. In the case of this investment, the customer has set the bar very high for us, especially when it comes to optimizing cost solutions.

In the cubature building construction sector, we are continuing the modernization of Biblioteka Narodowa (the National Library). The topic being executed is extremely difficult and requires an unconventional approach.

A project that resulted in a large success in 2019 was not typical for PROCHEM, as it was the supply of steel structure to the United States. We struggled with a number of logistic, materials and legal challenges, but the topic ended with a positive result for us.

When summarizing up the year 2019, technical consulting activity should also be mentioned. PROCHEM actively participates in development programs, cooperating mainly with companies from the ORLEN Group. I hope that our commitment in the field of technical consulting will also pay off in the next phases - design and implementation of new production technology topics.

The activity of the equipment rental base should also be appreciated. Last year, work of the team brought measurable profits. The change in the location of the base, and better logistics resulting from that also contributed to the positive results of its operations.

When discussing PROCHEM's development activities we are currently entering the final phase, i.e. the sales stage of the Astrum Business Park building in Warsaw. The building is well rented, has reliable tenants, has no objections as to technical solutions or the

functionality of the building itself. Everything is on its way to successfully complete this stage soon.

PROCHEM's priority for the coming year will be the proper use of all undeniable marketing successes of 2019, to the greatest extent possible to be realized in the difficult economic reality caused by the COVID-19 pandemic.

PROCHEM entered this unfavorable time with a rich backlog of orders portfolio. Subjects that are demanding, long-lasting and important for the country require the Company to implement specific measures to ensure stability, both financial and human resources. Modern methods and work tools of designers, as well as preventive measures along with additional precautionary procedures allow to successfully continue PROCHEM's design activity as well as safely carry out activities in the field of investment implementation. The goal for the coming months should be to maintain a strong and stable market position. An important task facing the Company is also completing the process of sale of Astrum Business Park.

I am convinced that the activities of the Joint Stock Company PROCHEM and the company's financial results generated in the difficult economic conditions that will be faced by us in the coming months, will nevertheless bring satisfaction to our Shareholders, Clients and Partners

Warsaw April, 2020