

Letter of the President to Shareholders

Dear Sirs,
Our Shareholders, Clients and Partners

On behalf of the Management Board of Spółka Akcyjna PROCHEM, I have pleasure to present to you a summary of the most important achievements of the past year 2022, as well as to provide you priority tasks that we have set ourselves to accomplish in the near future.

The passing year 2022 is a special year on many levels. Particular for the world and Poland - the open armed conflict at the borders of our country has changed a lot in the reality that surrounds us and forced us to consider scenarios that seemed impossible so far. Also special for PROCHEM - this year we celebrated our 75th anniversary, which, apart from being satisfied with the achievements achieved so far, also motivates us to plan a stable growth of PROCHEM's position in the future.

Russia's attack on Ukraine and the consequences of the coronavirus pandemic have had a significant impact on the economic situation, and thus affected companies operating in, among others, in the construction industry. A sharp increase in the prices of goods and services has become noticeable, the delivery dates of equipment and materials have been extended, and problems have arisen during contracts of implementation of projects.

Despite these challenges, we continued PROCHEM's design and implementation activities, and signed new contracts both in the traditional area of process investments in chemistry or in the gas and petrochemical sectors, as well as in new prospective directions: hydrogen economy, electromobility, increasing energy efficiency, as well as in closed circulation of raw materials.

In 2022, revenues in PROCHEM decreased due to the reduction of exposure to implementation contracts and amounted to PLN 151.9 million, and in the Capital Group PLN 221.8 million. We recorded record sales of engineering services with an increase of 50% level. We consider the level of profit, especially from operating activities, to be unsatisfactory. The Company undertakes appropriate actions aimed at adapting its potential and the scope of services provided to new opportunities and identified risks in the economic environment so as to achieve a stable level of margins on acquired contracts.

The largest projects in which we participated were: designing the expansion of the LNG Terminal in Świnoujście, expansion of the fertilizer complex in ANWIL in Włocławek, cooperation with HYUNDAI ENGINEERING in the construction of the Olefiny III complex in ORLEN.

We started designing of three process investments for the PCC Group in Płock and Brzeg Dolny, and we continued cooperation with BIOAGRA on contracts related to the modernization and increasing the energy efficiency of technological installations.

The construction of the Hydrogen Hub in ANWIL, the electrolyte plant for traction batteries for FOOSUNG, and the electric car factory for ElektroMobility entered the next implementation phases.

We continue our project cooperation with POSCO on the extension of ZUSOK in Warsaw and we have started managing the implementation of the extension of the pyrolytic waste tire processing plant for Contec.

In 2022, we also finalized our development project - the ASTRUM Office Building, by selling the facility to a specialized fund. Currently, the Company is analysing the possibilities of safely investing the funds obtained as a result of the transaction.

We welcome the fact that the 75-year-old PROCHEM is intensively developing always in new directions. This is possible thanks to the constant involvement of Employees and the constant search for our place in the changing economic environment.

We entered 2023 with a stable portfolio of orders, with excellent potential suitable for their implementation and openness to new challenges.

Warsaw, April 2023