

Letter from the President of the Management Board

Ladies and Gentlemen,
Our Shareholders, Customers and Contractors,

On behalf of the Management Board of the Joint Stock Company PROCHEM - dominant entity in the capital group - I am pleased to present to you a summary of the major achievements of the past 2010 year as well as the main tasks we have set to accomplish in 2011.

The year 2010 was second successive year of the lower investment activity of customers of companies from the Capital Group of Prochem S.A. in all industrial branches and in the general construction. Despite the continued economic recovery, growth in industrial production and consumption, entrepreneurs are still reluctant to start new investments. A difficult access to bank financing delays the implementation of our development projects in Kraków and Warsaw. However, the last year was clearly better than the previous year. We managed to generate significantly higher profits.

PROCHEM S.A. Capital Group achieved revenues of PLN 127 million and the net profit of PLN 4.3 million. A vast majority of the Capital Group Companies quickly adapted to operating conditions in the times of crisis and maintained their profitability. The composition of the Group did not change significantly and the headcount as of the end of 2010 amounted to more than 700 people. Among companies belonging to the Group the company Elektromontaż Kraków achieved the best financial results in the past year. The companies from the widely understood chemical and fuel sector are ranked among the circle of our biggest customers, but we also provided services for the pharmaceutical, electronic, printing industries, the general construction and the environmental protection.

Now I would like to present briefly the major material achievements that we can be proud of in 2010. The most important designs include a design of one of the largest chemical plants in recent decades, i.e. the Purified Terephthalic Acid Complex for PKN Orlen in Włocławek commissioned by Mitsubishi Heavy Industries with the value of more than PLN 14 million. We also designed the extension of the installation for the manufacture of plant pesticides for Zakłady Chemiczne "Organika Sarzyna" which was financed as part of the Innovative Economy programme. We started cooperation with the contractor of the LNG terminal in Świnoujście – Saipem – and we hope that especially in 2011 we will still have a significant share in designing this investment which is vital to national energy security. Last year we completed the design of one of the largest public investments in Poland, namely the expansion of

the "Czajka" sewage treatment plant in Warsaw. 2010 was another year of good cooperation with Alstom Power on designing facilities for main activity producer power plants, especially an innovative installation to capture CO₂ from fumes for the Bełchatów Power Plant. As far as general building is concerned, we completed a design of the extension of the "Wola Park" shopping centre. I believe that capabilities of our designers to cope with such diverse, innovative and often unique themes constitute the fundamental strength of our company.

In 2010 we entered into two significant agreements to act as a General Contractor of the Investment – with Zakłady Chemiczne ZACHEM in Bydgoszcz on a construction of the installation for the production of epichlorohydrin from glycerin, and with Goodrich Aerospace Poland in Tajęcín on a construction of a facility manufacturing aerospace undercarriage components, on the basis of our design. We commenced construction works already in the autumn of 2010. We successfully completed the construction of the terephthalic acid conveying system in Włocławek, commissioned by the German company Coperion. The construction of the flue gas desulfurization plant in Pionki for the Building Research Institute, also implemented on the basis of our design, proceeds in accordance with the plan. The meaning income was achieved by Elektromontaż Kraków on the modernization of the stadium Wisła in Kraków.

Within the scope of maintenance and facility management the contracts for following customers were executed:

- Cedler steelworks in Sosnowiec ,
- TRW car's sub-assembly manufacturing plant in Gliwice,
- NGK Ceramics w Gliwicach,
- ZM Postęp industrial plant in Zabrze,
- several office and residential buildings in Warsaw .

In 2010 PROCHEM performed the function of the FIDIC Contract Engineer for the construction of the sewage sludge incinerator for the "Czajka" sewage treatment plant and for the "Arrangement of water and sewage management in the Barycz river basin" programme as well as for the construction of the Clean Coal Technologies Centre in Zabrze. We also acted as the project management company at the implementation of facilities for the "Ochota" New Technologies Centre for the University of Warsaw and we managed the construction of the ethoxylation installation for PCC Rokita in Płock.

In the implementation of the majority of these projects the companies from the Group - Elektromontaż Kraków, PKI PREDOM, PRO - INHUT are cooperating with PROCHEM. Development projects constitute another important activity of PROCHEM S.A. Capital Group. We obtained building permits for both the "Astrum" office centre in

Kraków and the office centre at Jutrzenki Street in Warsaw – we prepared and submitted the technical documentation for these facilities. After many years of endeavour we succeeded in obtaining a land use permit for the construction of an apartment building at Kazimierza Wielkiego Street in Kraków and we are preparing a building permit design for this building.

In 2010 we received "The Best Construction of 2009" award in a competition organised by the Polish Association of Construction Engineers and Technicians (PZiTb), in the category of industrial facilities for the construction of the Ethanol Production Plant in Goświnowice, while the design of this plant was awarded the title of the "The Best Engineering Project of 2010" in the competition organised by the Chamber of Construction Designing (IPB). In another IPB competition, "Designer of the 20th anniversary of IPB", this title was awarded to our colleague Zdzisław Rokita, while PROCHEM received the title of "The Best Engineering Company of the 20th anniversary of IPB".

The price of PROCHEM shares has been strongly correlated with changes in the WIG-construction industry index which demonstrated a lower growth rate than the main index of the Warsaw Stock Exchange – WIG. Despite this fact, as of 31 December 2010 the price of one PROCHEM share was PLN 25.75 and it was by 7.7% higher than the share price as of 31 December 2009 (PLN 23.9 per share).

Forecasts for 2011 and 2012 assume at last a gradual increase in expenditure on fixed assets in companies, which should translate into new industrial investments and contracts for engineering companies such as PROCHEM. Nonetheless, commitment to acquiring new contracts should remain a priority for all of us. In addition to our traditional clients and sectors, we focus our efforts on the issue of thermal waste treatment (incinerators, pyrolysis, gasification) and on the power sector. We are also planning increased marketing efforts in order for PROCHEM to return to foreign markets. Particular attention must be also paid to a timely and error-free implementation of the already started constructions. We closely observe the developments in the office real estate market and we must also find the optimal way to continue and fund our development projects.

I am convinced that the accomplishment of planned objectives for 2011 will bring satisfaction to our Shareholders, Customers and Contractors.

Warsaw, April 2011