

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 - the parent company in the Capital Group I am pleased to present to you a summary of the major achievements of the past 2011 as well as the main tasks we have set to accomplish in 2012.

2011 was the third consecutive year of lower investment activity of our customers in all industrial sectors and the general construction industry. 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 Krakow and Warsaw. However, the last year was clearly better for PROCHEM than 2010 and 2009, both in terms of profit and revenue earned.

PROCHEM S.A. Capital Group achieved total revenues of PLN 186 million and net profit PLN 5.6 million. There was one change in the composition of the Group - PROCHEM sold all its shares (i.e. 90%) in ASI Polska Sp. z o.o. The average headcount in the Group in 2011 was approximately 600 people. A vast majority of the Companies quickly adapted to operating conditions in the times of crisis and maintained their profitability.

The companies from the widely understood chemical and fuel sector are ranked among the largest of our clients, but we also have provided services for the pharmaceutical, electronic, printing, general construction and environmental protection sectors.

Now, I would like briefly introduce the most important achievements that we can be proud of in the year 2011. The major achievements include accelerating cooperation with the contractor of LNG terminal in Świnoujście - the company Saipem. This project will continue in subsequent years.

We completed the design of the extension of the installation for the manufacture of plant pesticides for Zakłady Chemiczne "Sarżyna" and the design of a facility manufacturing aerospace components for Goodrich Aerospace near Rzeszów. Interesting, newly acquired themes include designs of air traffic control towers at the airport in Krakow and Poznań and the design of an office building for Municipal Water Supply and Sewage Company (MPWiK) in Warsaw based on PROCHEM concept which was the winner of the architectural competition. We also created designs for clients in the pharmaceutical, fuel logistics and copper industry. 2011 was another year of the promising cooperation with Alstom Power on designing facilities for main activity producer power plants. In order to increase our capabilities of creating specialised designs for this sector, we concluded a cooperation agreement with the Italian company, Inchico.

I believe that capabilities of our designers to cope with such diverse, innovative and often unique themes, is a fundamental strength of our company.

In 2011 four major constructions were carried out. In the last days of December a successful commissioning and tests of the magnesium enhanced flue gas desulfurization installation were performed in the ITB Building Research Institute in Pionki. The construction of the epichlorohydrin installation in ZACHEM and the construction of a facility manufacturing aerospace undercarriage components for Goodrich Aerospace also entered the final stage. In 2011, we also signed a contract on construction of a flavour and fragrance manufacturing plant for Pollena Aroma in Nowy Dwór Mazowiecki in accordance with our design.

In 2011, PROCHEM continued to perform the function of the FIDIC Contract Engineer for the construction of the sewage sludge incinerator for the "Czajka" sewage treatment plant in Warsaw 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. In 2011, we also acted as the project management company at the implementation of entire complex of new educational facilities for the University of Warsaw. The ethoxylation installation for PCC Rokita in Płock, whose construction we managed, was successfully commissioned for use.

Our segment of construction equipment rental may deem the last year as another successful and profitable year. The team providing to banks services consisting in monitoring the utilisation of investment loans specialised successfully in supervision over expenditures related to the construction of wind farms.

Significant revenue was derived by Elektromontaż Kraków mainly from modernization of Wisła stadium in Kraków and construction of a new airport terminal in Jasionka.

Within the scope of property management services, the contracts have been executed for several office and residential buildings in Warsaw.

In implementing of most of these projects with PROCHEM cooperated companies belonging to the Group – Elektromontaż Kraków, PKI Predom, PRO-INHUT.

Another important activity of the Capital Group of PROCHEM are the development projects. Last year we continued efforts to arrange bank financing or find a partner for common financing of construction of Astrum office center in Krakow and office center at Jutrzenki Str. in Warsaw. In the scope of documentation we are adapting project to the requirements of ecological certificate BRIEM. In the development phase of constructions projects are two smaller development projects of apartment buildings in Kraków.

The price of PROCHEM shares over 2011 was strongly correlated with changes in the WIG-construction industry index which recorded significant decreases. As at 31 December 2011, the price of one PROCHEM share was PLN 13.7 and it was by 47% lower than the share price as at 31 December 2010 (PLN 25.75 per share).

We face another year of uncertainty as to the development of the Poland's economy and the amount of capital expenditures, therefore the acquisition of new design and implementation orders should remain the most important challenge for all of us. I hope that in 2012 our long-term marketing activities in new segments, i.e. municipal waste incinerators and main activity producer power plants, will bring effects. We are also seeking orders on international markets, which should bring results already in 2012.

We must pay particular attention to timely and error-free completion of three constructions for Zchem, Goodrich Aerospace and Pollena Aroma. We continue to implement the task of finding the optimal way to continue and finance our development projects, despite unfavourable market conditions. We modernise our design tools to achieve the ability of spatial modelling in numerous industries.

I am convinced that the accomplishment of the objectives planned for 2012 will bring satisfaction to our Shareholders, Customers and Contractors.

Warsaw, April 2012