

Letter of the President of the Management Board to 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 major achievements of the past year 2017, as well as to provide you with an insight into the tasks, that we have set to accomplish in the near time.

It is difficult to unequivocally assess the past 2017 year. On the one hand very good events took place, such as the winning judgment after 11 years of litigation in court with PERN, or a breakthrough in the commercialization of our Astrum Centrum Office development project, but on the other hand there were no lucrative design work, as well as there were no profitable implementation projects. The level of investment outlays, especially in the industrial sectors being the most important for Prochem, remains low, which results in fierce competition and low prices of engineering services.

Total sales in Prochem S.A. amounted to PLN 49 million, and in the Capital Group PLN 112 million.

We achieved a very good net profit of approx. PLN 12.7 million in Prochem and approximately PLN 17 million in the Capital Group, but it should be remembered that mainly due to the positive settling of the dispute with PERN.

After thorough analysis of Prochem's dividend capacity, the amount of PLN 24 million has been paid to our shareholders in the form of own share buyback for redemption.

Summing up the engineering activity in 2017 among the topics covering both implementation and design work, first of all I would like to mention the completion of the construction of the second stage of the Astrum Office Centre along with a wide range of arrangement and finishing works. We have also received an international BREEAM certificate at the Very Good level, which confirms that Astrum meets the standards of a green, sustainable building sector, and is friendly both for environment and for users. Tenants' opinions are also positive.

The next successive year we had been designing and managing the construction of an installation for the production of innovative polystyrene materials with athermal additions for Synthos in Oświęcim. We conveyed the first stage of such a very demanding in terms of technology and organization installation for technological start-up.

In 2017, we also completed the construction of an innovative, demonstrative installation for the pyrolysis of used tires for the company Petrol, as well as of a fuel base for the needs of army in Porążyn.

We particularly welcome the fact of the resumption in 2017 of cooperation with our returning customers the Solvay in Włocławek and the company Bioagra in Goświnowice. The ambitious investment program of Bioagra and its related companies will be a major challenge in 2018 for our design and implementation forces.

It is also worth mentioning that we have completed the warranty service period of the constructed chemical complex for the Mineral Wax Factory in Belarus. The installation works and is obtaining guaranteed quantity and quality parameters. This confirms the ability of Prochem to build "turn-key" technologically complicated chemical installations also on demanding foreign markets.

The design activity was dominated by energy topics. We continued cooperation with GE Power. The documentation of the construction of power units No. 5 and 6 in the Opole Power Plant and the design of the flue gas cleaning installation in CHP Plant Nova were developed. We have also completed the designing of water treatment plant for Power Plant in Opole to the satisfaction of a customer the company Seen Technologie.

I consider as being of particular importance the start of cooperation in the scope of design work with a leading contractor in the energy sector the company Polimex at the gas block in the Żerań CHP plant.

Particularly when designing for power industry, is used the application of integrated 3D modeling, being developed for a few years in Prochem, involving combining projects of cubature objects created on the Revita platform with modeling of installations in PDMS. I am convinced that 3D modeling and implementation of BIM technology will allow us to gain a competitive advantage in the design market in the coming years, not only in the power industry, but also in other industries covered by public procurement.

Our design activities have been appreciated by industry organizations. In the competition Construction of the Year organized by PZITB (Polish Association of Construction Engineers and Technicians) was distinguished the air traffic control tower in Kraków designed by Prochem, and the Chamber of the Construction Designing has granted us the title "Design of the Year 2017" for a documentation of Thermal Waste Treatment Plant in Krakow.

I would also like to appreciate becoming to grow consulting activity (technical consulting) carried out in cooperation with scientific institutes, consulting companies for clients such as e.g. PKN Orlen.

Land development activity

Together with our financial partner, we implement the Astrum Business Park development project in Warsaw. In 2017, we managed to gain the tenants for more than 80% of the building. We will soon be looking for a buyer for the building.

Tasks for 2018:

- the most important task remains to fill the order portfolio with lucrative orders,
- strengthening market position in the scope of designing of energy topics,
- increasing the share of technical consulting in consulting activities of Prochem,
- using the competitive advantage resulting from the integrated approach to 3D design in combination with the BIM concept,
- obtaining of the successive "turnkey" topics in Belarus,
- completion of the Astrum Business Park development project.

I am convinced that the operations of PROCHERM S.A., the implementation of planned projects and the Company's financial results generated over the subsequent months will bring satisfaction to our Shareholders, Clients and Partners.

Warsaw, April 2018