

Letter from the President of the Management Board

Dear Sirs,
Our Shareholders, Customers and Contractors,

On behalf of the Management Board of the Joint Stock Company PROCHEM I am pleased to present to you a summary of the major achievements of the past 2012 as well as the main tasks we have set to accomplish in 2013.

The year 2012 was the most difficult year in the past four years of the economic downturn affecting the construction industry in Poland. The investment activity of our clients in all industrial sectors and the general construction industry was low. A small number of investments were started and the increasing price competition reduces the profitability of engineering services and construction works. However, considering the general situation in the industry, in my opinion, the last year was positive for PROCHEM.

PROCHEM S.A. Capital Group achieved in 2012 total revenues of PLN 136 million and recorded net loss of PLN 3.15 million.

However, PROCHEM S.A. achieved total revenues of PLN 94.7 million and net profit of PLN 3.06 million. Profits resulted from the constructions operations and financial activities, and the designing activity made a loss as a result of the shortage of profitable orders. However, despite unfavorable market conditions, we managed to maintain the stability of employment and unreduced intellectual potential of our company, and most importantly, the whole company's effort focused on acquiring new design and construction orders started to bring tangible results noticeable in recent months. We managed to fill our portfolio of orders for the year 2013 and largely for the year 2014 with such themes as: design of the municipal waste incinerator in Kraków, design and construction of chemical plants for Solvay in Włocławek and Soda Polska (Ciech Group) in Maławy, turnkey construction of chemical complex in Belarus and general contracting of Astrum Office Center in Warsaw.

As for the most important achievements of PROCHEM in 2012 in the engineering and design activity, the well-developing cooperation with Saipem, the contractor of the LNG Terminal in Świnoujście, is considered the most important one. Our projects comply with stringent technical requirements of this unique undertaking.

We completed the design of the installations for the manufacture of plant pesticides in Z.Ch."Organika-Sarzynia". The project developed by PROCHEM received the award in the competition organized by the Chamber of Construction Designing (IPB) - "Design of the Year 2012".

It is worth to mention about the cooperation with the Japanese construction company Takenaka, for the order of which we designed the next stage of the expansion of TBAI car seat plant in Wykroty and fuel filter factory for NGK Ceramics. For the Polish Air Navigation Services Agency we designed air traffic control towers in Poznań and Kraków, which are interesting in architectural terms, and for Municipal Water Supply and Sewage Company (MPWiK) we made a design of the office building - the registered seat of this company in Warsaw.

After several months of attempts, we obtained a "Facility Security Clearance", which enables our company a broader than ever access to military projects classified as "confidential". In 2012, we began the implementation of new software - REVIT, which carries out the assumptions of the BIM (Building Information Modelling) concept. This is a three-dimensional, multi-discipline, integrated design of buildings which is based on the simultaneous operation of all sectors on one digital model. We created a multi-discipline task force and trained the designers, who in January 2013 began designing by the use of REVIT.

In 2012, we successfully completed three significant constructions. In October, there took place a grand opening of the landing gear plant in Goodrich Aerospace Poland near Rzeszów. Being the designer and general constructor, PROCHEM won recognition of its client, which was reflected by the "Contractor of the Year 2012" award granted to PROCHEM by the Goodrich Management. In August, the installation for the production of epichlorohydrin for Zchem in Bydgoszcz was completed. In November, we handed over to our client Z.Ch. "Pollena-Aroma", the flavor and fragrance manufacturing plant in Nowy Dwór Mazowiecki, designed and constructed by PROCHEM.

In 2012, we commenced to design and construct the technological infrastructure for the underground storage of crude oil and fuels for Inowrocławskie Kopalnie Soli "Solino". We continue the cooperation with Bauer Publishing House, by designing and extending the printing house in Ciechanów and Wykroty. In 2012, PROCHEM concluded the largest foreign contract in its history with the Belarusian mineral wax factory for the design and construction of several facilities, including the wax hydrorefining installation, for the total amount of approximately PLN 200 million.

In 2012, PROCHEM continued to act as FIDIC Contract Engineer for the construction of the sewage sludge incinerator for the "Czajka" sewage treatment plant in Warsaw. We successfully act as project management company for the "Ochota" and "Dobra" campuses constructed for the University of Warsaw. Last year, the Centre of Biological and Chemical Sciences (CENT III) and the building of Faculty of Applied Linguistics and Faculty of Modern Languages were handed over into operation.

Development projects constitute other important activity of PROCHEM. During the last weeks of the previous year, we came to an agreement with a financial partner, together with which in the year 2013 we are commencing the construction of the Astrum Office Centre in Warsaw. As far as the documentation is concerned, we adjusted the design to the requirements of the BRIEEAM ecological certificate. We are still looking for a financial partner or a purchaser of the development project - the Office Center in Kraków.

When it comes to the main challenges for the year 2013, we need to organise the activities in Belarus in such a way so as to not only duly perform the concluded agreements, but also acquire new orders. We are going to concentrate on finding optimal financing for our development projects, especially for the under construction Astrum Office Center in Warsaw. As for marketing activity, we will continue to acquire new orders for the design and construction of the technically complex and technically innovative installations and industrial facilities in Poland and abroad, paying particular attention to waste treatment and power industry.

The price of PROCHEM shares over 2012 increased by 18%, which was a good result compared to the whole sector. In the same period, WIG - Construction Industry index decreased by more than 30%.

Taking into account the improving liquidity of the Company and the significant number of orders in the order portfolio, the Management Board of PROCHEM applied to the General Shareholders' Meeting for allocation of the 2012 profit of PLN 3 million for dividend payment.

I am convinced that the PROCHEM operations and its financial results in 2013 will bring satisfaction to our Shareholders, Customers and Contractors.

Warsaw, April 2013