

Letter of the President of the Management Board

Dear Sirs,
Our Shareholders, Clients and Partners,

On behalf of the Management Board of the Joint Stock Company PROCHEM, I am pleased to present a summary of the major achievements of the previous year, 2015, to you as well as to provide you with an insight into priority tasks we have set to accomplish in the coming year.

In the previous year there were numerous distressing events in Ukraine, the Middle East, and Europe. Poland had a turbulent election year with announcements of changes. Luckily, these events have not had a significant impact on the economic situation and our Clients' interest in new investments.

2015 was another good year for PROCHEM. Revenues from sales increased significantly, to PLN 221 million at PROCHEM, and up to approx. PLN 266 million within the Capital Group. Net profit increased to approx. PLN 6.2 million at PROCHEM, whereas in the Capital Group net profit attributable to the shareholders of the parent company was approx. PLN 4.4 million.

The annual average headcount at PROCHEM grew by 4 persons and amounted to 237 persons, while the average salary increased by 3% as compared with the previous year.

Undoubtedly, the main task last year, which most affected the revenue and profits of PROCHEM S.A., was the construction of the chemical complex for our Belorussian Client – Mineral Wax Factory. This is the largest export construction project in the history of PROCHEM. We finished the design, and assembled the full set supplies and materials. The first part of the task – the trigeneration facility – underwent successful warranty tests, and the last two parts of the investment entered the final assembly phase.

Another key task of PROCHEM in 2015 was the design and construction of a new development project – the Astrum Business Park – one of the larger office buildings under construction in Warsaw. In April this year, an occupancy permit was obtained for the facility, and PROCHEM S.A. is planning to move to its new headquarters in May.

In 2015, we successfully completed the design and construction of another installation within the ethanol production facility for Bioagra in Goświnowice. We also started the design and construction of facility for another new "returning Client" – Goodrich in Tajęcina. We are constantly designing; recently, we were involved in the construction of military facilities, using our infrastructure for the protection of confidential information. We have been very actively involved in the design and completion of a used tyre pyrolysis installation for Petrol.

Last year, we were particularly happy that we gained a new Client, Synthos, and concluded two agreements on the design and management (EPCM) of work to construct chemical plants of a significant scale and level of complexity. In the coming months, these works will be dominant in our design and construction activity.

With regard to design work, in addition to the extension of Soda Polska in Inowrocław and the municipal waste incinerator in Cracow, which came to an end in 2015, we focused mainly on energy-related projects. Continuing our cooperation with Alstom Power, we produced documentation for the construction of power units 5 and 6 in the Opole Power Plant, and designs for the flue gas cleaning system for Dalkia in Łódź. We are also designing a water treatment plant for the Opole Power Plant, commissioned by Seen Technologie, as well as the construction part in connection with the extension of the Siekierki CHP Plant for Bilfinger

Infrastructure. To emphasise the importance of design in the energy sector, and the development efforts in this area, we have created a new position of deputy director for energy at the Prochem Projekt Division.

For three years, we have been working on a project implementing the BIM technology in our design and implementation practice. This project is very important for the Company's development. We create more 3D models of enclosed structures for an increasing number of projects. Thanks to the successful implementation of the integrated 3D modelling of enclosed structures, created using Revita and models of technological installations with PDMS, we are able to meet even the highest expectations of our Clients.

Development projects also constitute an important area of the operations of PROCHEM S.A. Together with our financial partner, Look Finansowanie Inwestycji, we are implementing the Astrum Business Park in Warsaw, a complex with a total area of over 30,000 m². We are currently in the process of acquiring tenants for the 1st and 2nd stages. Unfortunately, this process is very difficult due to the high supply of office space in Warsaw. Last year, we successfully completed our second development project – the Astrum business centre in Cracow. The site prepared for this project, along with the construction design and building permit, was sold to Avestus.

It is worth mentioning the awards and prizes given to PROCHEM in 2015. In the most prestigious competition, "Construction of the Year 2014," organised by PZiTb, we won the 1st title and award in the category of industrial facilities, for the completion of the silica production facility in Włocławek. We were also given numerous titles and awards in connection with the 25th anniversary of the Chamber of Construction Design.

Ahead of us we have another year full of new and difficult investment tasks. However, considering the market forecasts and trends, I am optimistic about the prospects for engineering companies such as PROCHEM 2016. In the coming months, the company's priority will be the successful completion of the Belorussian project and the acquisition of new contracts on that market. Another task will be finding tenants for the Astrum Business Park. Our activities will also concentrate on increasing the number of energy projects, with particular focus on flue gas cleaning plants. Gaining a competitive advantage as a result of implementation of the BIM concept will be a challenge.

The price of PROCHEM shares over 2015 slightly increased, which was a good result compared to most companies listed on the Warsaw Stock Exchange. In the same period, the main stock exchange index went down approx. 10% in value. It is worth emphasising that the results achieved made it possible to pay to our Shareholders in 2015 a dividend from profit for 2014.

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

Warsaw, April 2016