

Letter of the Chairman of the Management Board

Ladies and Gentlemen,
Our Shareholders, Customers and Partners,

On behalf of the Management Board of PROCHEM S.A. I have pleasure to present to you the summary of major achievements in the past year 2009, and the most important tasks planned for 2010.

The year 2009 was one of the more difficult in PROCHEM's history and achieved results of the work did not meet our expectations and ambitions. We experienced effects of economic slowing down and were affected by the lack of new industrial investments, difficult access to granting of credits for development undertakings and the competition growing more intense and leading to a decrease in profitability of engineering and construction services.

PROCHEM S.A. Capital Group achieved revenue of PLN 183 million and a positive financial result of PLN 164 thousand. Most Capital Group Companies quickly adapted to the crisis environment and maintained their profitability. No significant changes occurred in the Group composition, and employment as at the end of 2009 was ca. 815 people.

In 2009 PROCHEM S.A. achieved revenue of PLN 111 million and a net financial loss of PLN 3.1 million. The result would have been positive if not for the need to take into account in the past year of the final settlement of the delayed completion of contracts for the construction of a fertilizer production plant for a Hungarian client, Nitrogenmuvek in Petfurdo. Revenue from design services amounted to about PLN 30 million.

Among the largest customers of the Company rank the companies representing the broadly understood chemical, fuel and refinery sectors, but we also provided services for the pharmaceutical, electronic, printing, general construction and environmental protection sectors.

In 2009 the yearly average employment at PROCHEM was 242 persons and was slightly lower than the average employment in 2008. I am glad that in spite of the adverse business conditions we managed to provide workplaces for practically all employees and to keep our potential.

I would like to briefly present PROCHEM's substantial achievements in 2009 that we may boast about. Last year the company worked on a number of projects of differing sizes. The largest projects included the design of an LNG terminal in Świnoujście, of critical importance for country's energy security, and the design of a system for terephthalic acid manufacturing for PKN Orlen to order of Mitsubishi Heavy Industries with a total value of ca PLN 14 million. We also designed, in collaboration with the Institute of Non Ferrous Metals, an innovative nickel and cobalt salts purification system for KGHM Ecoren in Głogów. We commenced design works for the extension of a crop protection chemicals production system for the Chemical Works in Sarzyna. We continued the design services for power production units in collaboration with Alstom Power. We are involved in the design works for a CO₂ capture and storage system,

unique on a global scale that is to be built near the power unit of Bełchatów Power Plant. In addition, we continued the design services for the extension of the “Czajka” Sewage Treatment Plant in Warsaw and maintained our activity in the pharmaceutical industry by designing another modernised division at Polpharma and TZF Polfa.

The year 2009 was characterized by a significant lower activity of foreign investors in Poland. However, we continued our cooperation and provided new designs for our long-standing client, Toyota Motor Manufacturing Poland in Wałbrzych, and for a manufacturer of airplane sub-assemblies, Goodrich Aerospace in Jasionka. Moreover we developed consecutive stages of documentation for new development projects in Kraków and Warsaw. The variety of design subjects and versatility of our designers, willing to take on any innovative and unique tasks, are significant assets of our company.

Among the implementation projects, one of the most important in 2009 was the ethanol manufacturing plant in Goswinowice for BIOAGRA. The total value of work was ca. PLN 160 million. This technically and organisationally complex project was completed on time, and the plant reached its full production capacity. In 2009 we also completed the construction of the Scientific and Didactic Centre and Water Park for the Engineering and Environmental Science Faculty of SGGW in Warsaw. Also, the first stage of construction of the “Zielona Polana” residential estate in Kraków was completed. As a general contractor, we started two projects: an installation for the flue gas desulfurization in Pionki for the Institute of Building Technology and a pneumatic transportation system for Coperion in Włocławek.

In 2009 PROCHEM provided investor’s supervision services at the construction site of the office building for Bosch, didactic facilities of the Warsaw University in Warsaw, and managed the construction of etoxylation system for PCC Rokita in Płock. PROCHEM also continued its function of a contract engineer according to FIDIC standards at the construction site of the residue utilisation station in the “Czajka” Sewage Treatment Plant in Warsaw. The environment protection team provided consulting services for Radom and Ciechanów regarding access to EU funding.

Last year we managed well in selling the service of technical consultant for banks (mainly Raiffeisen Bank and Bank DnB NOR), in the scope of controlling the use of investment loans. Also, the construction equipment rental outlet managed to end the year with a positive financial result.

Another important area of PROCHEM’s activity are the development projects. In 2009 we adjusted the documentation of Astrum office centre in Krakow to the staging requirements. We are working on finalising the financing for the investment. We are continuing design works for the office centre at Jutrzenki Str. in Warsaw. We have already obtained a building permit.

In 2009, PROCHEM received the award in “Construction Project of the Year 2008” competition, organised by Polish Association of Construction Engineers and Technicians, for the extension of the Bauer Publishing House Printing Shop in Ciechanów and received – in acknowledgement of our results and market position – the third diamond for the Polish Business Leader Gold Statue, an award granted by the Business Centre Club.

The situation at the Warsaw Stock Exchange in the last months of 2008 and at the beginning of 2009 was characterised by high uncertainty and lack of determination among the investors. In the second quarter of the year decreases slowed down. Both the price of PROCHEM shares and stock indices started to grow slowly but stably. The price of one PROCHEM share as at 31.12.2009 amounted to PLN 23.9 and was higher by over 40% than the price as at 31.12.2008 (PLN 17.0 per share).

The macroeconomic indices are improving, manufacturer's and consumer's are becoming more and more optimistic. Following it, it is not unlikely, that in the second half of 2010 an increased investment activity among our clients will take place. However, in the months to come, we have to focus on our efforts mainly on winning new topics in sectors that were less affected by the crisis, such as power production, renewable sources of energy, incineration of waste, biogas facilities. We are closely following the developments of the office real estate market. There are reasons to believe that, in 2010 the issue of financing will be closed and we will commence the construction of stage 1 of the Astrum Office Centre in Kraków.

I am convinced that the implementation of the objectives planned for 2010 will satisfy our shareholders, clients and partners.

Chairman of the Supervisory Board
Jarosław Stępniewski

Warsaw, April 2010