

# **ANNUAL REPORT 2013**

## **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 2013 as well as the main tasks we have set to accomplish in 2014.

The year 2013 saw the first signs of increased capital expenditure in industry and readiness of our Clients to undertake development programmes. It is a prelude to better times for engineering companies like PROCHEM.

The year 2013 in PROCHEM was a good year, in particular in the context of the construction industry. PROCHEM S.A. achieved total revenues of PLN 95 million and net profit of PLN 6.6 million. We are particularly happy that in the past year there was no shortage of work both in designing and implementing activity, as well as that both these types of activity were profitable. This situation also had a positive impact on the human resources and intellectual potential of our company. The average number of permanent employees in the company was 211 persons and increased by several permanent employees comparing to the previous year.

PROCHEM S.A. Capital Group achieved in 2013 total revenues of PLN 147 million and recorded net loss, attributed to the shareholders of the parent company, of PLN 34 thousand. The reduction of the Capital Group's result as compared to the individual result was primarily due to losses incurred by Elektromontaż Kraków S.A. on two major contracts. The average number of permanent employees in the companies of PROCHEM S.A. Capital Group in 2013 was 544 persons.

The year 2013 was the extremely important year for us as regards new started, technically complex investments in the engineering and design activity and the construction operations for several demanding Clients in Poland and Belarus.

One of the key investments is the largest export construction in the Company's history with the value of PLN 200 mln, started in 2013. We will design and construct, for the Belarusian mineral wax factory, a complex producing hydrotreating wax, oils, lubricants and refrigerants, and a tri-generation power plant. Apart from complexity of the whole undertaking, a challenge in this case is the necessity to quickly adapt to the specifics of the Belarusian market and Client.

An important experience was also the cooperation with the global leader in the chemical industry – the Solvay Group, for which in 2013 we started to render services of designing, procurement and management of construction of highly dispersed silica factory in Włocławek. One of the interesting, newly acquired projects, is a project of the thermal waste processing plant in Cracow, which was commissioned to us by the General Contractor of the investment – a Korean company POSCO Engineering & Construction.

While continuing the cooperation with the companies from the Ciech Group we undertook the task of designing and procurement for the investment connected with intensification of production of sodium carbonate in Inowrocław. The cooperation with Saipem, the contractor of the LNG Terminal in Świnoujście, continues to develop well. We successfully act as FIDIC Contract Engineer for the investment of modernization and extension of the water and sewage system in Ciechanów.

We have completed with success the investment for our already permanent Client – the printing house in Ciechanów, which involved a design and works connected with installation of rotating machinery. It is worth mentioning the design and contracting of technical infrastructure for production wells for salt leaching for the needs of oil and salt storage for IKS Solino in Inowrocław, completed in 2013.

Development projects constitute other important activity of PROCHEM. In 2013 the Company gained a financial partner for joint implementation of the development project – the ASTRUM Business Park office complex in Warsaw. This centre, for which PROCHEM plays a role of GRI, is one of the largest office projects currently implemented in Warsaw. The design of this office building was prepared on the basis of the newly implemented 3D – REVIT software, 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 specialists on one digital model. We created a multi-discipline task force and trained the designers, who in January 2013 began designing ASTRUM by the use of REVIT. It is worth to emphasize that as far as the documentation is concerned, we adjusted the design to the requirements of the BREEAM ecological certificate.

We are still looking for a financial partner or a purchaser of the development project – the Office Center in Kraków and we are seeking a permit for building two smaller housing projects in Cracow.

The position of PROCHEM in 2013 was confirmed by awards and distinctions. We received a first level award and a title of the "Subcarpathian Construction of the Year 2012" for the construction of the production plant for aircraft components UTC Aerospace Systems in Tajęcina in the competition organised by the PZITB Branch in Rzeszów. Other investments implemented with participation of PROCHEM also won titles in prestigious industrial competitions.

Another remarkable fact in the PROCHEM history was a change of visual identification of the Company carried out in the previous year. We introduced a new, refreshed logo, colours and modernised ephemera. Besides, a new website of the Company was designed in accordance with the adopted guidelines.

The year ahead will be full of difficult tasks, but taking into account the forecasts for 2014, namely gradual increase in capital expenditure for industrial sectors, we can expect a better time for engineering companies such as PROCHEM. Now the priority for the company will be to continue the Belarusian project smoothly and efficiently. Apart from our traditional sectors we will focus our activities on the commercial power industry themes. I believe that 2014 will bring tangible results, i.e. significant projects in this area. We will still attach a particular importance to continuation of the development project in Warsaw; we now focus on organising longer financing for this undertaking and strive to fill the space of our office

complex with new tenants. We will also put great emphasis on further implementation of the BIM concept in three-dimensional design of buildings.

As for marketing activity, we will continue to actively acquire new orders for the design and implementation of the technically complex and technically innovative installations and industrial facilities in Poland and abroad.

The price of PROCHEM shares over 2013 increased almost by 70%. We observed the increase in the value of the Company's shares, which was definitely more dynamic comparing to the change in the values of WIG and WIG-Construction Industry indices. It is worth to emphasise that the results achieved and improving financial liquidity of the company allowed to pay to our Shareholders in 2013 a dividend from profit for 2012.

I am convinced that the realisation of plans and financial results achieved by PROCHEM in 2013 will bring satisfaction to our Shareholders, Clients and Contractors.

Warsaw, April 2014