

## **Letter of the President to Shareholders**

Dear Sirs,  
Our Shareholders , Clients and Partners

On behalf of the Management Board of Spółka Akcyjna PROCHEM, I have pleasure to present to you a summary of the past year, 2023.

Unfortunately, 2023 did not bring the expected stabilization - both in the geopolitical and economic dimensions. The still ongoing war in Ukraine and its economic consequences largely affected companies operating, among others, in the construction industry, as well as investors planning to develop their production base.

The problems that the construction sector in Poland faced in 2023 consist not only in a further increase in costs - including, among others: prices of energy, raw materials and construction materials, but also in logistic difficulties with the implementation of contracts. The situation in 2023 was also not conducive to negotiations regarding the indexation of contracts concluded with customers. These problems were also important for PROCHEM's activities.

Unfortunately, last year was difficult for us and the financial results were far from our expectations. The finalization in 2023 of the implementation of large contracts covering execution and concluded in 2019 and 2021 and the cumulative materialization of the risks related to these multi-year contracts had a decisive impact on the Company's financial results. As a result, in 2023, despite the increase in revenues in PROCHEM to PLN 218.7 million and in the Capital Group to PLN 280.7 million, we recorded a net loss in PROCHEM of PLN 19.6 million and in the Capital Group of PLN 24.3 million.

We believe that a selective approach to new contracts and optimization of risk, cost and supply chain management will allow us to regain profitability and return to the path of stable growth.

However, negative financial results do not change PROCHEM's consistency in providing our clients and partners with the highest quality engineering services in the design and implementation of difficult and modern investments.

In 2023, we completed the largest contract in recent years for the design and construction of infrastructure and logistics facilities for a new fertilizer complex for ANWIL. The construction of the Hydrogen Hub for the same client continued.

We have successfully completed the construction of a technological heat recovery installation at the Ethanol Production Plant for BIOAGRA. We hope to continue the development program of our long-time client also in the coming years.

We continued cooperation with HYUNDAI ENGINEERING in the implementation of the chemical complexes Olefins III for ORLEN and Polimery Police for GRUPA AZOTY. We provided BIM Manager services for the modernization of the Warsaw Municipal Solid Waste Disposal Plant for POSCO. We carried out planned design stages for three process investments for the PCC Group in Płock and Brzeg Dolny.

We provided engineering services to our clients in the area of electromobility - FOOSUNG i EMP.

The construction of a pyrolytic processing plant for used tires for Contec is well advanced - a good example of investment in the circular economy.

The year 2024 and successive years is a demanding period for us to work and take advantage of new prospects of the economic and investment market in Poland. We will look for them both in the traditional area of process investments in chemistry or in the gas and petrochemical sector, as well as in new, promising directions: nuclear energy, hydrogen economy, electromobility, increasing energy efficiency, closed circulation of raw materials.

I am convinced that PROCHEM, taking advantage of many years of experience, will be able to stably continue its design and implementation activities, and our engineering team will be an important element of the upcoming demanding investment processes.

Warsaw, April 2024