

REPORT OF THE SUPERVISORY BOARD OF PROCHEM S.A. ON BEING IN CHARGE OF COMPANY'S ACTIVITY FOR FINANCIAL YEAR 2009

In 2009 the Supervisory Board of PROCHEM SA of the VII term of office worked composed of:

1. Andrzej Karczykowski - Chairman
2. Marek Garliński - Vice Chairman
3. Dariusz Krajowski-Kukiel
4. Krzysztof Oblój
5. Steven Tappan

The Supervisory Board was in charge of company's activity in all fields of the activity of the company according to art. 382 of Commercial Companies Code, and Statutes of PROCHEM SA and Bylaws of the Supervisory Board.

The Supervisory Board held five meetings in 2009. On meetings of the Supervisory Board above all economic-financial cases, orders in hand in PROCHEM SA and Capital Group PROCHEM SA as well as action being aimed at a depreciation of effects of crisis.

Within the scope of economic-financial matters:

- systematically a financial situation of the Company and Capital Group of PROCHEM SA was being judged,
- in detail economic results of Company's and Capital group activities were being analysed in consecutive quarters of 2009,
- on the basis of detailed materials prepared by the Company's Management Board systematically the income statement and the company's balance sheet, state of receivables and liabilities of the company, analysis of the cash flow, ratio analysis (profitability ratios, of financial liquidity, solvencies, capital), analysis of costs of goods sold were being studied,
- situation was being analysed as for the state of contracting and the degree of the implementation of a plan including the evaluation of the state of the market experiencing the effects of crisis,
- assumptions were being discussed to the financial –economical plan for financial year 2010,
- proposal of the Management Board in relation to covering loss of the company in 2009 from the reserve capital was accepted,
- effectiveness of activity of the companies belonging to the PROCHEM SA Capital Group was being analysed.

Within the scope of the implementation of expansion programmes of the company:

- a state of the progress of developing projects was being judged, especially in the field of the possibility of acquiring effective financing to their realization.

Within the scope of the organization of the company's enterprise:

- new organizational regulations of PROCHEM SA were brought up to date and approved.

Within the scope of donations made:

- XXVII General Meeting of Shareholders of PROCHEM SA allocated the amount of PLN 30,000 for charity purposes. The amount of PLN 21,000 was allocated by the Supervisory Board in the reply to chosen requests for the backing. The remaining amount will be distributed in 2010.

Conclusion:

Acting on the basis of the stipulations of art. 382 § 3 of the Commercial Companies Code and Statutes of the Company, the Supervisory Board carried out:

- analysis of materials of the financial statement of the company in financial year 2009 with the opinion of statutory auditors constituting the integral part of this report,
- analysis of the report of the Management Board for 2009,
- analysis of the conclusion of the Management Board as for the way of covering the loss of the company for 2009,
- evaluation of the proposal for changes to Statutes of the Company.

Above financial statements for 2009 were submitted for the audit carried by MISTERS AUDITOR Co. Ltd. with registered office in Warsaw.

Written report from this examination and the opinion of experts being its synthesis constitutes basic analytical material subjected to the evaluation of the Supervisory Board.

Considering arrangements included in mentioned source materials and evaluations reliable and using up the Supervisory Board recognized that financial statements for 2009 in all essential aspects were drawn up under effective laws and regulations, with accounting rules and standards as well as according to the actual state revealed in books. The Supervisory Board is recommending the approval of the financial statement of PROCHEM SA in financial year 2009 to the General Meeting of Shareholders.

With reference to the reservations formulated by the auditor concerning the amount due on account of guarantee deposits from PERN "PRZYJAŹŃ" S.A., the Supervisory Board is acceding to the standpoint of the Management Board.

The Supervisory Board also analysed the report of the Management Board from the business activity conducted in 2009. The Supervisory Board stated that this report was describing taken economic action dilligently as well as it permits the evaluation of the financial standing and property of the Company. The Supervisory Board is putting the motion for the General Meeting of Shareholders to grant a discharge to members of the Company's Management Board from the performance their duty in financial year 2009. Simultaneously the Supervisory Board is recommending to the General Meeting approving the resolution concerning covering a loss from the reserve capital and accepting amendments to the Statutes of the Company suggested by the Management Board.

Evaluation of work of the Supervisory Board and applying by Board members Good Practice of Companies listed on the Warsaw Stock Exchange mentioned in the Chapter III

The Supervisory Board was in charge of company's activity in all essential areas of activity of the Company. It was carried out on meetings of the Supervisory Board and direct meetings of the Chairman and the Vice Chairman of the Supervisory Board with the Company's Management Board in periods between meetings.

The scope of the exercised supervision enabled the Supervisory Board to carry out current evaluation of areas of threats and risks appearing in 2009.

Established standard areas of observation of the Company make possible the current analysis of the situation of the Company and they were a base for the evaluation of this situation in the future.

On the basis of the act from 7 May of 2009 about statutory auditors and their self-government, entities authorized to audit financial statements as well as on the public supervision the Supervisory Board of PROCHEM SA passed a resolution by virtue of which the Supervisory Board decided to perform duties of the committee of the audit in the company.

Two independent members are in the Supervisory Board Mr Krzysztof Oblój and Mr Dariusz Krajowski-Kukiel.

The company's Management Board has the knowledge about the fact of connecting of Mr Andrzej Karczykowski with PROCHEM Holding Company Ltd., shareholder over 5% of total number of votes at the General Meeting. Mr Andrzej Karczykowski is performing the post of the Chairman of the Management Board.

The company's Management Board has the knowledge that Supervisory Board member Mr Steven Tappan has over 5% of total number of votes at the General Meeting.

All Supervisory Board members participated in the General Meeting of Shareholders of PROCHEM SA in 2009.

The Supervisory Board transmitting the above information and the evaluation of the company's standing including the control system and the risk management system, states that members of the Board performed all essential obligations in the scope of applying good practice in 2009.

Signatures of the members of the Supervisory Board

1. Andrzej Karczykowski
2. Marek Garliński
3. Krzysztof Oblój
4. Dariusz Krajowski-Kukiel
5. Steven Tappan