

**MANAGEMENT BOARD REPORT**  
**ON THE ACTIVITIES OF THE COMPANY PROCHEM S.A.**  
**IN 2018**

Warsaw, 26 April 2019

### **1. Principles of presentation of financial statements**

Principles of preparation of the separate financial statements of the Company Prochem S.A. for 2018 have been included in Explanatory notes to the financial statements.

### **2. Overview of basic economic and financial data disclosed in the annual financial report and presentation of development prospects of the Issuer in 2019**

In 2018 the Company achieved revenues from basic activity i.e. sale of engineering services and construction services in the amount of PLN 96.9 million. They are PLN 47.7 million higher than those achieved in 2017. The largest increase took place in the segment of execution services, where sales revenue were over two times higher than in the previous year. It also had a significant impact on the effects of basic activity in 2018, which closed with a gross profit from sales in the amount of PLN 5.9 million.

The activity in 2019 will continue to be significantly affected by the macroeconomic environment, in particular the level of investment, which has recently been gradually improving. Increased number of the inquiries to the Issuer is observed, and as a result also a significant increase in contracts signed for the provision of services, in particular in the scope of design and engineering services.

### **3. Significant risk factors and threats to the Issuer's activity**

Company Prochem S.A. during its activity is exposed to the following types of risks and threats:

#### **3.1 Economic fluctuations on investment market**

The company provides services on the investment market, characterized by a large scale of fluctuations in demand strongly associated with the overall macroeconomic situation of the country. Methods used by the Company to limit the negative impact of this factor on financial results (accumulation of financial reserves, diversification of services provided) may not fully neutralize this risk.

#### **3.2 Possibility of threats occurrence at execution of contracts**

Types of activity conducted by PROCHEM S.A. in particular, the preparation and management of technically complex investment projects, often implemented on the basis of contracts concluded under conditions of strong price competition, cause that there is a constant risk of technical and financial problems occurrence.

### **3.3 Dependence on the staff**

Raising the quality of services provided, undertaking the implementation of complicated technological projects, the use of modern information systems, and the work for the renowned clients require from workers the highest professional qualifications. Acquiring of such persons, especially in the situation of the liberalization of the European labour market can be difficult. The company is trying to minimize this threat by raising qualifications of the employed staff and using incentive programs associating employees with the company.

### **3.4 Exchange rate risk**

Part of contracts for the sale of services is concluded with foreign companies in foreign currencies (EUR, USD). In the event of a significant fluctuation of the exchange rate of the domestic currency, it may have a material effect on the Company's results. This risk is partially mitigated in a natural way i.e. through the purchase of equipment and services necessary for the execution of these contracts abroad, as well as acquisition of appropriate financial instruments.

### **3.5 Risk of dependence on significant purchasers of services**

Execution by the Company of contracts for the implementation with a significant value requires significant expenditure to be incurred on the purchase of services and equipment, which subsequently, in the form of a finished object are sold to the customer. Lack of proper correlation between the expenditure are being borne and proceeds from the implementation of a contract with a customer may involve necessity of the use by the Company of external financing, and in special circumstances, may cause for the Issuer even a temporary loss of financial liquidity. Such risk is largely hedged through appropriate provisions of the agreement with the customer in pursuance of which the client is obliged to the successive reimbursement of the outlays borne during execution of order.

## **4 Statement of application of principles of corporate governance in the Company Prochem S.A. in 2018**

In connection with the entry into force In connection with the entry into force on January 1, 2016 of the "Best Practices of WSE Listed Companies 2016" which were introduced by the Resolution of the Council of Warsaw Stock Exchange in Warsaw S.A. of 13 October 2015 (hereinafter referred to as DPS 2016), the Management Board of Prochem S.A. informs that has introduced to be applied DPS 2016 from 1 January 2016, with the exception of the principle

**I.Z.1.20. Record of the proceedings of the general assembly, in the form of audio or video,**  
Principle is not applied.

**Company's comment:** The structure of the Company's shareholding does not justify the generally available broadcast from the proceedings of General Meeting. The company also does not record the proceedings of the General Assembly in the form of audio or video. As a result, the Company does not have at its disposal the recordings that could be made available.

In connection with the principle I.Z.1.15 of Best Practices for WSE Listed Companies 2016, the Company declares that it does not apply diversity policy. The basic criterion for making decisions about the selection of persons for the Company's managing bodies and when appointing key managers are the competencies of the candidates.

The full text of the corporate governance principles to which the Company is subject, together with a list of principles which the Company currently does not apply and a commentary in this regard is available on the website of Prochem S.A. – [www.prochem.com.pl](http://www.prochem.com.pl).

## **5 Description of the Issuer's internal control system**

Internal control is one of the functions of the ongoing management of the Company. Such control is being exercised directly by the Management Boards of the companies, directors, proxies and other employees in management positions or which were entrusted with this function.

PROCHEM S.A. has a comprehensive system of internal control, with the aim to ensure timely and accurate disclosure of facts concerning all material elements of the company's operations. That contributes to obtain a complete knowledge of the financial position, results of operations, the Company's property and management efficiency. The scope of control includes above all:

- business activities of the company, basic and auxiliary,
- financial reporting and accounting settlements,
- compliance of the company activity with the applicable laws, and with internal regulations,
- employment and wages.

Institutional internal control analyses the accomplished undertakings and documentation related to it. The main task of it is to carry out comprehensive checks in respect of most important issues for the Company, and collecting and elaboration of the information on the activities of the organizational units of the Company, selected economic problems and other issues that in the given period were regarded as the most important by the Management Board of the Company. Apart from the institutional internal control, there is also the so-called functional control in the Company, which is exercised by managers of various ranks. Managers perform the supervision over the employees subject to them, consisting in the checking of the state of accomplishment of tasks set.

Institutional internal control is exercised in Prochem S.A. mainly by services from financial and accounting departments, and also by the employees of the legal and organizational department. Part of the tasks of the internal control is carried out by teams and commissions appointed for this purpose.

Checks are carried out in all phases of activity in the form of the preliminary control, current and next. Financial and accounting documents are subject to substantive, formal and accounting control. Information on formal and substantive correctness and calculation correctness bears a signature in an identifiable manner (full name and surname), or bears the personal stamp of the authorized person and the date of approval of the document.

The internal control system, which is functioning in Prochem S.A. provides a completeness of the recognition of economic operations, and ensures the proper qualification of source documents as well as enables for the correct valuation of the resources had in possession at particular stages of the registration, thus ensures the correctness of preparation of the financial statements and enables the Management Board to carry out the Company's activities based on a verified and complete information.

## **6 Description of the risk management system in the Issuer's enterprise**

In the activity of PROCHEM S.A. the following risks exist:

- risk of economic fluctuations in the investment market,
- risk of threats occurrence during execution of the contract
- risk of losing key employees,
- currency risk,
- risk of dependence on significant buyers of services,
- risk of payments unreliability,
- **Risk management in a particular areas consists in:**
  - monitoring of the phenomena generating the risk,
  - taking the measures aiming at the lowering of the level of a risk.

In terms of individual risks, the following measures are used to mitigate their potentially negative effects:

The risk of economic fluctuations in the investment market:

- monitoring of the macroeconomic situation and in the selected industries,
- scope diversification (development of the activities being alike to engineering services such as maintenance, developer's activity),

- diversification of the territory (expanding of exports),
- accumulation of the financial reserves

#### The risk of threats occurrence at execution of the contracts

- realistic price calculation when concluding contracts,
- monitoring the progress in execution of contracts, and disclosure of threats on the basis of the introduced "Control of Service Costs" procedure introduced by Cost Control Team,
- selection of reliable subcontractors,
- contract clauses restricting the maximum amount of contractual penalties

#### The risk of loss of key employees

- monitoring of the level of employment, remuneration and staff fluctuation,
- monitoring of the labor market and of the level of the remuneration on the market,
- maintenance of a system of training and raising of the qualifications,
- incentive programs for key employees,
- active recruitment system - cooperation within the environment and maintenance of relations with Universities

#### The foreign currency risk:

- monitoring and forecasting of currency exchange rates,
- forward type currency transactions,
- purchase of equipment and services in the currency of the contract,
- maintaining a high level of domestic sales

#### The risk of dependence on significant buyers of services

- monitoring of the execution of contracts with the significant buyers of services,
- contractual provisions containing the cushioning elements,
- maintenance of the partner relations with recurring customers

#### The risk of the payment unreliability

- monitoring of the financial standing of key clients before and during the execution of contracts,
- the use of specialized recovery procedures

Note No. 36 of the Separate Financial Statements for 2018 includes a description of financial instruments in the scope:

- risks: changes in prices, credit risk, significant disruption in cash flows and loss of financial liquidity to which the entity is exposed;
- financial risk management objectives and methods adopted by the entity, including methods of securing significant types of planned transactions for which hedge accounting is applied.

## 7 Information on shareholders holding large blocks of shares of the Issuer

According to the knowledge of the Company as at the date this report, the following shareholders hold at least 5% of votes at the general meeting of shareholders:

Item No.	DESCRIPTION	NUMBER OF SHARES HOLD (PCS)	NUMBER OF VOTES	% OF VOTES IN TOTAL NUMBER OF VOTES	% OF SHARE CAPITAL
1	Steven Tappan	965,000	965,000	32.87	32.88
2	ESALIENS TFI S.A.	168,646	168,646	5.74	5.75
3	Otwarty Fundusz Emerytalny PZU S.A. „Złota Jesień“	284,900	284,900	9.70	9.71
4	Andrzej Karczykowski	201,882	201,882	6.88	6.88

The company Prochem S.A. on 21 March 2018, purchased 960,000 own shares as a result of the offer announced on the basis of Resolution No. 4 of the Extraordinary General Meeting of the Company of January 26, 2018 regarding the consent to the acquisition by PROCHEM SA. of own shares for redemption and granting authorization to purchase own shares of PROCHEM S.A. Acquisition of shares took place outside the regulated market, through intermediary of mBank S.A. with headquarters in Warsaw - Dom Maklerski mBanku. On 21 June 2018, the General Meeting of the Company redeemed all the shares acquired by the Company. After redemption, the share capital of the Company amounts to PLN 2,935,000 and is divided into 2,935,000 shares with a nominal value of PLN 1.

There are no securities that would give special control rights to the Issuer.

There are no restrictions on the transfer of ownership of the Issuer's securities.

## 8 Principles governing the appointment and dismissal of the Management Board members and their powers

Persons serving on in the Issuer's Management Board are appointed by its Supervisory Board. The term of office of the Issuer's Management Board lasts three years. Powers of the managing persons

are defined by the Statute of Prochem SA and they do not go beyond the framework set by the Commercial Companies Code. In particular, the right to decide on the issue or redemption of shares has only a General Meeting of Shareholders.

#### **9 Description of the rules for amending the statute or articles of association of the Issuer**

The rules of amendment the statute or the articles of association of the Issuer are determined in accordance with the provisions of the Code of Commercial Companies.

#### **10 Procedure of the General Meeting of Shareholders of Prochem S.A.**

Procedure of the General Meeting of Shareholders of Prochem S.A. and its basic powers and descriptions of the rights of shareholders and the way of their exercising are contained in the Statutes of Prochem SA and in the Bylaw of the General Meeting of Prochem SA. Above mentioned documents are available on the website of Prochem S.A. [www.prochem.com.pl](http://www.prochem.com.pl).

#### **11 The composition and the changes that occurred during the last fiscal year, and a description of the activities of the Management Board, Supervisory Board or administrative authorities of the Issuer and of their committees**

On June 12 2018 the Supervisory Board of Prochem S.A. appointed the Management Board of Prochem S.A. for the next term of office in unchanged composition.

On June 13, 2015 the Supervisory Board of Prochem SA appointed the Management Board of Prochem SA for the next term in unchanged composition.

As at the date of preparation hereby financial statements the Management Board of Prochem S.A. comprises of:

Jarosław Stępniewski - President of the Management Board  
Marek Kiersznicki - Vice President of the Management Board  
Krzysztof Marczak - Vice President of the Management Board

In 2018 there were no changes in the composition of the Management Board.

As at the date of preparation hereby financial statements the Supervisory Board comprises of:

Marek Garliński  
Andrzej Karczykowski  
Krzysztof Oblój  
Marcin Pędziński  
Karol Żbikowski



The above-mentioned members of the Supervisory Board were appointed for a new term by Resolutions of the General Meeting of June 10, 2017.

Description of the operation of the Management Board is contained in the Bylaw of the Management Board, and description of the operation of the Supervisory Board in the Bylaw of the Supervisory Board. These documents are available on the website of the Issuer [www.prochem.com.pl](http://www.prochem.com.pl).

On 7 July 2017, the Issuer's Supervisory Board appointed an audit committee composed of:

Karol Żbikowski - Chairman of the audit committee

Marek Garliński – Member of the audit committee

Marcin Pędziński - Member of the audit committee

Mr. Karol Żbikowski and Mr. Marcin Pędziński meet the statutory independence criteria and, due to their education and professional experience, have the necessary knowledge and skills in accounting. Mr. Marek Garliński due to his education and professional experience (for 11 years he was the President of the Management Board of Prochem S.A.), has the necessary knowledge and skills in the industry in which the Issuer operates.

The Misters Audytor Adviser sp. z o. o. did not provide other services to Prochem S.A. which are not being the auditing of financial statements.

**The main assumptions of the policy of appointing an audit firm to conduct the audit and the policy of providing by the auditing company conducting the audit, by entities related to this auditing company, and by a member of the auditing company's network of the permitted services, which are not audit services:**

1. According to § 22 section 2 item 9 of the Statutes of the Company, the selection of an auditing company to audit financial statements is made by the Supervisory Board.
2. The Supervisory Board, when setting the policy of selecting an audit company, is primarily aimed at the high quality of financial information, which is addressed to the Company's stakeholders.

In accomplishing above objective, the Supervisory Board and the Audit Committee which was selected from composition the Supervisory Board perform the tasks of supervising the accounting system, internal control and risk management as well as selecting an audit firm and monitoring the financial audit process.

3. The audit company is selected for a period not shorter than 2 years and not longer than 5 years. The decision on the period of selection is taken by the Supervisory Board.
4. When submitting the offer, the auditing companies are obliged to meet the following formal requirements:
  - a. Documentary evidence for an entry in the list of audit firms kept by the National Council of Statutory Auditors as well as the list of audit firms carrying out statutory audits in public interest entities in the previous year together with the information referred to in Art.16 section 3 letter a) of Regulation No. 537/2014.
  - b. Documentary evidence of having a third party liability insurance.
  - c. Submission of a statement on having an internal quality control system with the commitment to develop and provide access by the Offerer of a policy of quality control of the order execution in the case of selecting a company to audit reports of Prochem S.A.
  - d. Submission of a statement on the lack of obstacles in the audit of financial statements of Prochem S.A. marked in art. 69 sections 7 and 9 of the Act of 11 May 2017 on statutory auditors, audit firms and public supervision (hereinafter: the Act), in the event of its selection.
  - e. Submission of the Offerer's independence statement, under pain of criminal responsibility for a false statement.
  - f. Submission of the statement whether the Offerer was punished for violation of the provisions of the Act or Regulation No. 537/2014.
5. The evaluation of offers submitted by audit firms is based on the following criteria:
  - a. The amount of remuneration for auditing financial statements of PROCHEM SA and its subsidiaries.
  - b. The number of statutory auditors employed by the audit firm and their professional qualifications, and in particular of the auditor's qualification who is to perform as the key statutory auditor.
  - c. Experience in auditing financial statements of companies listed on the regulated market of the Warsaw Stock Exchange S.A.
  - d. Industry specialization.
  - e. The description of the audit methodology presented by the company,
  - f. the schedule of audits carried out by the auditing company.
6. The Audit Committee may set additional selection criteria.

The recommendation to select an audit firm to conduct the audit has met the applicable conditions and was prepared following the selection procedure organized by the Issuer that met the applicable criteria.

In 2018, the Audit Committee held five meetings.

## 12 Proceedings pending before the court, competent authority for arbitration or public administration body

PROCHEM S.A. is not a party to any proceeding before the court, competent authority for arbitration or public administration body, which value constitutes at least 10% of its equity.

PROCHEM S.A. is also not a party to two or more any proceeding before the court, competent authority for arbitration or public administration body, which total value constitutes at least 10% of its equity.

## 13 Information on basic products and services of the Issuer

PROCHEM S.A. is an engineering company, which activity includes: designing, general contracting, project management and technical consulting. The company specializes mainly in customer service in the following segments: industrial building, environmental protection facilities, public facilities buildings and infrastructure projects. Revenues from sale of these services in 2018 constituted 93.0% of total Company's revenues, and their value is by 54.9% lower than those achieved in the previous year.

Breakdown of revenues by separate types of activity and their structure is shown below:

(Revenues in PLN thousands)

Description	Revenues in PLN thousands		% + growth - decline	The revenue structure %	
	2018	2017		2018	2017
1. Sale of services	96,936	49,177	+ 97.1%	93.0	96.7
2. Sale of goods	2,050	-	-	2.0	-
3. Other operating income	3,236	112	+ 2789.3%	3.1	0.2
4. Financial income	2,035	1,589	+ 28.1%	1.9	3.1
<b>Total</b>	<b>104,260</b>	<b>50,878</b>	<b>+ 104.9%</b>	<b>100.0</b>	<b>100.0</b>

As can be seen from the compilation below, in 2018 revenue from design and engineering services increased by PLN 5.4 million compared to the previous year, and revenues from general contracting by

PLN 42.4 million. The other services include mainly revenues from rental of scaffolding and building shuttering.

Description	Total revenues from sale of services		+ growth - decline 2018/2017
	2018	2017	
1. Design and engineering services	22,823	17,461	+ 30.7%
2. Contracting services	70,606	28,194	+150.4%
3. Other services	3,507	3,522	- 0.4%
<b>TOTAL</b>	<b>96.936</b>	<b>49.177</b>	<b>+ 97.1%</b>

#### 14 Breakdown into markets of sale of services in 2018:

The share of exports in sale of services in 2018 was 0.1%.

Buyers of the Company's services with share in sales revenue in 2018 which exceeded 10% were:

- Bioagra S.A. – 57% share in sales revenue - with this entity, no other formal relationships exist except for trade agreements;
- Irydion Sp. z o. o. - 13% share in sales revenue – joint-controlled company;

#### 15 Information on agreements concluded significant for the Issuer's activity

As of today, the Issuer's main revenues expected in 2019 will be obtained as a result of the execution of contracts for the provision of services to the company Bioagra S.A..

Are not known to the company any agreements concluded between shareholders of Prochem S.A., which would be significant for its business operations.

#### 16 Information on organizational or capital relations of the Issuer and its main investments

Company Prochem S.A. is the parent entity in the Capital Group which comprises, among others the companies:

##### Subsidiaries:

- Prochem Inwestycje Sp. z o. o. seated in Warsaw – subsidiary directly (100.0%);
- PRO-INHUT Sp. z o. o. seated in Dąbrowa Górnicza – subsidiary indirectly (93.2%);

- Przedsiębiorstwo Konsultingowo-Inżynieryjne PREDOM Sp. z o. o. seated in Wrocław – subsidiary indirectly (80.7% share in capital and profit, 71.1% share in votes);
- Prochem Zachód Sp. z o. o. seated in Słubice- subsidiary directly (80.0%);
- ELPRO Sp. z o.o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in the 50% share of Elektromontaż Krakow);
- Elmont Inwestycje Sp. z o. o. seated in Krakow – subsidiary indirectly (92.7%, including 85.4% share in the 50% share of Elektromontażu Krakow);
- Elektromontaż Kraków S.A. seated in Krakow – subsidiary indirectly (85.4%), including 73.0% share in capital and votes belongs to company Prochem Inwestycje subsidiary in 100%. Company Elektromontaż Kraków S.A. prepares consolidated financial statements, which contain data of a subsidiary in 100%: ELMONT-POMIARY Sp. z o. o. seated in Krakow and two associated companies ELPRO Sp. z o. o. and Elmont-Inwestycje Sp. z o. o.;
- IRYD Sp. z o. o. seated in Warsaw – subsidiary indirectly in 100%;
- ATUTOR Integracja Cyfrowa Sp. z o. o. seated in Warsaw – subsidiary indirectly (87.3% of share belongs to company Prochem Inwestycje Sp. z o. o. subsidiary in 100%);
- Prochem RPI Sp. z o. o. seated in Warsaw - subsidiary directly and subsidiary indirectly in 100%;

Associated companies and jointly controlled companies:

- IRYDION Sp. z o. o. seated in Warsaw – 50.0% share in voting rights and share capital,
- ITEL Sp. z o. o. seated in Gdynia – 42.0% of share (18.7% of voting rights and capitals belongs directly to Prochem S.A. and 23.3% holds Prochem RPI Sp. z o. o. subsidiary (in 100%))

## 17 Related party transactions

In 2018, no significant transactions were concluded between companies from the Issuer's Capital Group on terms other than market terms.

## 18 Information on loans and borrowings

Name of the bank	Seat	Amount of a loan acc. To agreement (in PLN thousands)	Amount of the loan to be repaid (in PLN thousands)	Terms of interest	Repayment date	Security
mBank SA	Warsaw	6,000 Credit in overdraft on current bank account	3,830	WIBOR for O/N deposits in PLN + margin	30 November 2019	Promissory note in blank, court pledge on shares

- Borrowing received from subsidiary Elmont Inwestycje Sp. z o. o. in the amount of PLN 7,500 thousand. Interest rate is set according to 3M WIBOR rate increased by 0,5 annually. Time of repayment was set for 31 December 2021.

## **19 Information on loans granted**

In 2018, the Issuer did not grant any loans.

## **20 Information on guarantees and sureties granted and received**

The value of granted warranties and guarantees related to the Issuer's operating activity amounts to PLN 21,450 thousand, of which:

- a) Bank guarantees of good performance of services – PLN 9,553 thousand;
- b) Guarantee of return of advance payment – PLN 11,400 thousand;
- c) Tender guarantee – PLN 250 thousand;
- d) Surety granted on behalf of a subsidiary – PLN 247 thousand.

The total amount of contingent receivables as a result of warranties of good performance and statutory warranty as at December 31, 2018 is PLN 17,315 thousand.

In 2018, the Issuer did not grant sureties and guarantees to related entities.

## **21 Description of the use of the proceeds from the issue**

In 2018, the Company did not issue any securities.

## **22 Explanation of differences between the achieved financial results and forecasts**

In 2018 the company did not publish forecast of financial results.

## **23 Assessment of the management of financial resources**

In 2018, any disruptions of financial liquidity in Prochem S.A. did not occur. Both the state of financial resources and available credit lines allow to meet the contracted obligations timely.

## **24 Assessment of the possibility of implementation of investment objectives**

Since 2013, the jointly controlled company Irydion has been conducting the construction and commercialization of an office and service building in Warsaw under the name Astrum Business Park. In 2019, construction is expected to be completed, all office space will be rented and the office building will begin to be sold.

## **25 Assessment of factors and unusual events affecting the financial results achieved**

A significant impact on the financial results achieved in 2019 was the increase in the number of orders executed by Prochem in the second half of the year, in particular that for Bioagra. This

resulted in the full use of the company's potential and, consequently, reaching the profitability of basic activity.

## **26 External and internal factors essential for the development of the enterprise of the Issuer in 2019**

Macroeconomic surrounding will have the significant effect on the activities of Prochem S.A. in 2019, in particular, the condition of the Polish economy which in the significant way influences the undertaking of decisions on the starting of the new investment objectives by potential clients of Prochem S.A. (in particular by industrial companies).

The portfolio of orders held by the Company allows to assume that the financial results in 2019 will continue to improve.

The Management Board of Prochem S.A. with particular attention, monitors the current situation and, if necessary, is prepared to take appropriate actions aiming at increasing of its potential to new opportunities.

## **27 Changes in basic principles of management of the Issuer and its Capital Group**

In 2018, there were no significant changes affecting the principles of management of the Issuer and its Capital Group.

## **28 Description of the agreements concluded between the Issuer and managing persons providing for compensation**

Contracts of employment concluded by the Issuer with the managing persons provide for compensation in the amount of remuneration for the period of six months in case of dismissing from office of a member of the Board, except for the situation where the dismissal is due to obvious fault of a managing person.

## **29 Remuneration of the Members of the Management Board and the Supervisory Board of the Issuer**

Remuneration paid in 2018 by the Issuer to the members of the Management Board and the Supervisory Board was presented in the notes to the separate financial statements for 2018.

## **30 Total amount of shares of the Issuer and related entities held by persons managing and supervising of the Issuer .**

As at the date of the financial statements the following members of the Company's Management Board and of the Supervisory Board held shares of Prochem S.A.;

- Jarosław Stępniewski – 68,383 pcs.;
- Marek Kiersznicki – 59,474 pcs.;
- Krzysztof Marczak – 36,908 pcs.;
- Marek Garliński – 73,996 pcs.;
- Andrzej Karczykowski – 201,882 pcs.;

The nominal value of 1 share is PLN 1.

Members of the Management Board and of the Supervisory Board do not have any shares in related entities.

### **31 Information on agreements which could result in changes in the proportions of shares held by existing shareholders**

Are not known to the company any agreements as a result of which changes may occur in the proportions of shares held by existing shareholders.

### **32 Information on the control system for employee share programs**

In the company does not exist any employee shares program.

### **33 Information on the contract with the entity authorized to audit financial statements of the Issuer.**

The agreement with the entity authorized to audit financial statements the company Misters Audytor Adviser sp. z o. o. for the audit and review of separate and consolidated financial statements of Prochem S.A. was concluded on 9 August 2018. The agreement was concluded for the audit of the financial statements for 2018 and 2019. The total remuneration of the company Misters Audytor Adviser Sp. z o. o. under the agreement amounts to PLN 30.400 net for the review of financial statements for 2018 and PLN 40,300 for audit of financial statements for 2018.

For performing the audit and review of financial statements for 2017, the company BDO sp. z o. o. received a remuneration in the amount of PLN 86,000 net.

Vice Chairman

Vice Chairman

Chairman of the Management Board

Krzysztof Marczak

Marek Kiersznicki

Jarosław Stępniewski