

REPORT OF THE SUPERVISORY BOARD OF PROCHEM S.A. ON BEING IN CHARGE OF THE COMPANY'S ACTIVITY FOR FINANCIAL YEAR 2010

In 2010 the Supervisory Board of PROCHEM S.A. of the VII term of office worked in the following composition:

1. Andrzej Karczykowski - Chairman
2. Marek Garliński - Vice Chairman
3. Dariusz Krajowski - Kukiel
4. Krzysztof Obłój
5. Steven Tappan (until 12 June 2010)
6. Adam Parzydeł (since 24 July 2010)

Mr. Steven Tappan resigned from his function as the member of the Supervisory Board of PROCHEM SA with the day 12 June 2010.

On 24 July 2010 the XXIX General Meeting of PROCHEM S.A. filled up the composition of the Supervisory Board of PROCHEM S.A. choosing Mr. Adam Parzydeł in the secret ballot, as the Supervisory Board Member of PROCHEM S.A.

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 and financial matters and developmental problems of PROCHEM S.A. and the Capital Group of PROCHEM S.A., as well as action being aimed at a depreciation of effects of crisis were discussed.

Since 22 February 2010 the Supervisory Board is also performing duties of the Committee of the Audit in the company.

Within the scope of economic and financial matters:

- systematically a financial position of the company and the Capital Group of PROCHEM S.A. were being appraised,

- economic results of activities of company and Capital Group were being analysed in detail in consecutive quarters of 2010,
- the income statement, the company's balance sheet, statement of receivables and liabilities of the company, analysis of the cash flow, ratio analysis (profitability ratio, ratio of financial liquidity, the solvency ratio and equity ratios) and analysis of costs of goods sold – were being studied systematically on the basis of detailed materials prepared by the Company's Management Board,
- 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 to the financial and economic plan for financial year 2011 were being discussed,
- proposal of the Management Board in relation to profit distribution for 2010 was accepted,
- effectiveness of activity of the companies belonging to the PROCHEM SA Capital Group was being analysed,
- selling of shares of the subsidiary ASI POLSKA Sp. z o.o. – (March 2011) – was accepted.

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.

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 2010 with the opinion of statutory auditors constituting the integral part of this report,
- analysis of the report of the Management Board for 2010,
- analysis of the proposal of the Management Board as for profit distribution.

Above financial statements for 2010 were submitted for the audit carried by KPMG Audyt Sp. z o.o. 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 complete the Supervisory Board recognized that financial statements for 2010 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 for the financial year 2010 to the General Meeting of Shareholders.

The Supervisory Board also analysed the report of the Management Board from the business activity conducted in 2010. The Supervisory Board stated that this report was describing fairly taken economic activity as well as it allows for assessment 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 2010.

Simultaneously the Supervisory Board is recommending to the General Meeting approving the resolution concerning profit distribution for 2010.

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 2010.

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.

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 connection of Mr. Marek Garliński and Mr. Andrzej Karczykowski with PROCHEM Holding M. Garliński Spółka Komandytowa, holding over 5% of total number of votes at the General Meeting. Mr. Marek Garliński and Mr. Andrzej Karczykowski are limited partners in this company.

The company's Management Board had the knowledge that former member of the Supervisory Board Mr. Steven Tappan (until 12 June 2010) 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.

While transmitting the above information and the evaluation of the company's standing including the control system and the risk management system, the Supervisory Board is stating that in 2010 members of the Board fulfilled all their essential duties resulting from the applying of good practice.

Signatures of the members of the Supervisory Board:

- 1. Andrzej Karczykowski - Chairman _____
- 2. Marek Garliński _____
- 3. Krzysztof Oblój _____
- 4. Dariusz Krajowski - Kukiel _____
- 5. Adam Parzydeł _____