

## **REPORT OF THE SUPERVISORY BOARD OF PROCHEM S.A. FROM THE SUPERVISION OVER THE BUSINESS OF THE COMPANY FOR THE FINANCIAL YEAR 2012**

In 2012, the Supervisory Board of Prochem SA Eighth term of office was composed of:

1. Andrzej Karczykowski - Chairman of the Supervisory Board
2. Marek Garliński - Vice Chairman of the Supervisory Board
3. Dariusz Krajowski – Kukiel
4. Krzysztof Obłój
5. Adam Parzydeł

The Supervisory Board supervised company's activity in all areas in accordance with Art. 382 of Code of Commercial Companies, and Statutes of PROCHEM SA and Bylaws of the Supervisory Board.

Supervisory Board held six meetings in 2012. At the meetings of the Supervisory Board were mainly discussed economic and financial affairs and strategy of development of Prochem SA and Prochem SA Capital Group, as well as other matters important for the functioning of the Company.

Supervisory Board also carries the responsibilities of the Audit Committee in the Company.

### **Within the scope of economic and financial affairs**

- evaluated on an ongoing basis the financial situation of the Company and the Group Prochem S.A.
- specifically were analyzed the economic performance of the Company's activity and the Group in subsequent quarters of 2012,
- on the basis of specific materials prepared by the Board systematically was studied the profit and loss account and balance sheet of the Company, state of receivables and liabilities of the company, cash flow analysis, ratios analysis (indicators of profitability, liquidity, solvency and capital), analysis of the cost of sales, and also was analyzed the situation in the scope of contracting and the degree of plan's implementation,
- were discussed the assumptions to the financial and economic plan for the financial year 2013,
- was adopted the proposal of the Management Board of the Company concerning the distribution of profit distribution for the year 2012,
- was analyzed the efficiency of the companies belonging to the PROCHEM SA Capital Group

### **In the scope of programs of development of the company**

- were accepted the activities taken by the Board aiming at gaining over a financial partner for a development project in Warsaw,
- were accepted activities aiming at gradual restructuring of the Group, mainly by a gradual sale of certain assets.

### **The Audit Committee**

Supervisory Board carries the responsibilities of the **Audit Committee** in the Company. In addition to performing these duties within the frame of the ordinary meetings of the Supervisory Board had been held two separate meetings entirely devoted to issues related to the audit. These meetings were attended by representatives of the auditor - KPMG Audit Sp. of o.).

The Board, by performing the function of the Audit Committee among others:

- selected the auditor to examine the books of the Company for the year 2012,
- analyzed financial statements, analyzed auditor's opinion and auditor's report ,
- discussed with the auditor the results of the audit of the books
- discussed with Management Board of the Company comments and recommendations of the Auditor,
- assessed the work of the auditor.

During the analysis carried out the committee paid particular attention to risk factors in the company.

### **Conclusion**

Acting under the provisions of Art. 382 § 3 of the Commercial Companies Code and Statutes of the Company, the Supervisory Board analyzed and evaluated the following documents within the scope of their compliance with the books and documents and the facts:

- separate financial statements of PROCHEM S.A. for the financial year 2012 along with opinion and report of the independent auditor,
- consolidated financial statements of PROCHEM S.A. Capital Group for the financial year 2012 along with opinion and report of the independent auditor,
- report of the management board on the business activity of the company PROCHEM S.A. and PROCHEM S.A. Capital Group for the financial year 2012,
- Management Board's proposal regarding the distribution of profits for the financial year 2012.

The above financial statements for 2012 have been subjected to an audit by KPMG Audit Sp. with o.o., based in Warsaw. Reports from the audit and the opinions of auditors, constituting their synthesis, were the basic analytical material subjected to the assessment of the Board.

Taking into consideration, therefore, findings and assessments, included in these source materials as being competent and comprehensive, the Council considered that the financial statements for 2012, in all material respects, have been prepared in accordance with applicable laws, accounting principles and standards, as well as with the facts disclosed in the books. The Supervisory Board recommends to the General Meeting of Shareholders an approval of the financial statements Prochem SA for the year 2012 and the consolidated financial statements of Prochem SA Capital Group for the same period.

Supervisory Board also carried out analysis of report of the management board on the business activity conducted in 2012. Council stated that the report presents fairly the undertaken economic activity, and allows to assess financial position of the Company. The Supervisory Board filed a motion to the General Meeting to grant exoneration to the Board members from fulfillment of duties in the financial year 2012.

At the same time the Board recommends that the General Assembly approve the resolution concerning profit distribution for the year 2012 and allocation of the net profit in the amount of PLN 3,038,100.10 to dividend to Shareholders of the Company and the amount of PLN 17,659.39 to capital reserve.

Signatures of the members of Supervisory Board:

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