

**REPORT OF THE MANAGEMENT BOARD
ON THE BUSINESS ACTIVITY
OF PROCHEM S.A. CAPITAL GROUP
IN THE YEAR 2012**

Warsaw 24 April 2013

1. Principles of presentation of financial statements

Description of the rules according to which have been prepared consolidated financial statements of Prochem SA Capital Group for the year 2012 was included in the notes to the statements.

2. Key economic and financial volumes disclosed in the annual financial statements and the presentation of the development prospects of Prochem SA Capital Group in 2013.

In 2012 Prochem S.A. Capital Group achieved revenues from basic activity in the amount of PLN 136 million. They are more than PLN 42 million lower than those achieved in 2011. Such a large drop is a result of a significant reduction in revenues from contracts for implementation noted mainly by the parent company. The company recorded a loss of PLN 3.8 million at the operational level and it is result of insufficient number of orders for design and engineering services. Other business segments in 2012 were profitable. Net loss for the year 2012 was PLN 3.2 million.

The current strategy of Prochem SA Capital Group, consisting in maintaining, despite the lack of jobs, of the potential of engineering, began to bring measurable results in 2013. As one of the few engineering companies in Poland Prochem is able to quickly start to provide high quality design services. Owing to that, on the turn of 2012 and 2013 were obtained several large contracts, which volume practically absorbed the production capacity of the company. Also the contract in Belarus with a value of Eur 48.2 million is entering into the implementation phase. Thanks to gaining the financial investor for the company Irydion, in 2013 Prochem will begin the construction of office building under the name Astrum Business Park in Warsaw. All these aspects will affect significantly the situation of companies belonging to Capital Group and Management Board of Prochem SA taking it into account assesses positively the prospects for development of the Group in 2013.

3. Key risks and threats to the activity of Prochem SA Capital Group

Companies belonging to Prochem S.A. Capital Group are exposed to the following kinds of risks and threats:

3.1 Economic fluctuations on the investment market

Some of the companies belonging to the Group provide services on the investment market which is characterized by a large scale of fluctuations in demand strongly associated with the overall macroeconomic situation of the country. The methods of limiting the adverse impact of this factor on financial results (concentrating reserves, diversification of provided services) applied by the Company cannot fully neutralize this risk.

3.2 Dependence on the staff

The risk of dependence on the staff occurs especially in the parent company. Raising the quality of provided services, undertaking the completion of complicated technological projects, using modern computer systems and the work for customers of high reputation requires the highest professional qualifications from employees. Recruiting this sort of persons, peculiarly 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 applying incentive programs associating employees with the company.

Exchange rate risk

Part of contracts (mainly the parent company) on sale of services is concluded with foreign companies in foreign currencies (EUR, USD). In case of a significant stiffening of domestic currency it may adversely affect the Group's results. Partly this risk is eliminated naturally through the purchase of equipment and services necessary for the execution of these contracts abroad, as well as through the purchase of the relevant financial instruments.

3.4 Risk of dependence on important buyers of services

This risk occurs mainly in the company belonging to the Group which is dealing with maintenance of installations and industrial plants. Such activity requires for each contract of proper investment outlays to be borne for the purchase of spare parts, tools, and employment of skilled workers. Loss of a major buyer of services can lead to temporary financial problems of the company. Such risk is largely hedged through appropriate provisions of the agreement with the customer, under which the customer is obliged to return the incurred investment outlays related with execution of the contract.

3.5 The risk associated with the protraction of judicial proceedings in a dispute with PERN SA

In view of the significant prolongation of legal proceedings in a dispute with PERN SA which began in 2006, and is currently held before the District Court in Warsaw on the accounting for the contract which was interrupted on 10 November 2005 for the management contracting for the investment project under the name "Pipeline from ST-1 Adamowo to Plebanka raw material base", there is a risk of having to fulfil the obligations of the Prochem SA towards subcontractors concerning retained guarantee deposits prior to their receipt from PERN SA. Board of Prochem S.A. is reckoning with the necessity of accumulation of adequate financial means for this purpose.

4. Declaration about applying corporate governance standards in the company Prochem S.A. in 2012

The Management Board of PROCHEM S.A. is declaring hereby that in the year 2012 were fully respected the principles of corporate governance accepted in the company PROCHEM S.A. in the wording set according to the Attachment to the Resolution No 12/1170/2007 of July 4th 2007. The full text of principles of corporate governance to which the issuer is subject is available on the website of PROCHEM S.A. – www.prochem.com.pl.

Description of the Internal Control of the Issuer

The internal control is one of functions of current managing the Group exercised directly by the company's Management Board, directors, proxy holders and other employees on managerial positions or which such a function was entrusted.

PROCHEM S.A. has the comprehensive internal control system that guarantees timely and accurate revealing facts concerning essential elements of company's activity. It contributes to getting the full knowledge about the financial standing, operating results, the state of the company's assets as well as the effectiveness of the management.

Scope of supervision covers above all:

- business activities of the company, basic and auxiliary,
- the financial reporting and accounting settlements,
- compliance of the company's activity with effective laws and regulations and internal regulations,
- the employment and the remuneration.

The institutional internal control examines undertakings already carried out and relevant documentation. The main task of such control is the conducting comprehensive inspections within the scope of the most important issues for the Group as well as collecting and preparing the information concerning activities of organizational units of the Group, chosen economic problems and other issues which in the given period were regarded as most significant by the Management Board of parent company. Apart from the institutional internal control in the Group exists also so-called functional control made by managers of different ranks who supervise employees reporting to them, consisting in checking the accomplishment of set tasks.

Institutional internal control in PROCHEM S.A. Capital Group is exercised mainly by financial service and accounting service and employees of the legal and organizational department. The part of the tasks of the internal control is carried out by appointed teams and committees.

Control activities are exercised in all phases of activity as the preliminary, current and successive inspection. Financial and accounting documents are subject to the as to substance, formal and accounting control. The information about the substantive, formal and accounting correctness bear the signature made in the identifiable way (full name and surname) provided with the personal stamp of the authorized person and the date of approving the document.

The control system functioning in PROCHEM S.A. Capital Group guarantees the completeness of the approach to business transactions, correct classification of source documents, as well as correct evaluation of stock in possession on individual stages of the registration, and hence ensures the correctness of drawing up a financial statement so it enables the Management Board of the parent company to conduct activity of the Group based on the verified and complete information.

Description of risk management within the Group

The following risks are appearing in the activity:

- risk of economic fluctuations on the investment market,
- risk of losing of key employees,
- exchange rate risk,

- risk of making conditional on important buyers of services,
- risk of the payment unreliability,
- risk of disadvantageous settling the litigation with PERN S.A.

The risk management in individual areas consists in:

- monitoring of generating risk phenomena,
- taking action aiming at lowering the level of risk.

In the scope of individual risks the situation is as follows :

- risk of economic fluctuations on the investment markets:
- monitoring of the macroeconomic situation and in chosen industries,
- object diversification (development of the activities related to engineering services - maintenance and development activity),
- field diversification (expanding of export),
- accumulation of financial reserves.

- risk of losing of key employees
- monitoring of employment, remuneration and staff fluctuation,
- monitoring of the labor market and the level of the remuneration on the market,
- maintaining the system of trainings and raising qualifications,
- incentive programs for key employees,
- active recruitment system - environmental cooperation and maintaining relationships with universities

- exchange rate risk:
- monitoring and forecasting the rates of exchange
- forward transactions
- purchase of devices and services in currencies of contracts
- maintaining high-level domestic sales.

- risk of making conditional on important buyers of services
- monitoring of the performance of contracts with important buyers of services,
- contractual provisions containing protection,

- maintaining the partnership relations with regular customers
- risk of the payment unreliability
- monitoring of the financial standing of key contracting parties before and in the process of the execution of the contracts,
- applying special debt collection procedures.
- risk of disadvantageous settlement of litigation with PERN S.A.
- monitoring of the legal situation by the Management Board and the team of lawyers.

Both the identification of risk factors, monitoring them and also applied system of risk mitigation measures in Prochem SA are at a good level, and the development strategy and diversification helps reduce the risks and leads to the professionalization in the scope of the instruments used

Information about shareholders holding large blocks of shares of the Issuer

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

No.	SPECIFICATION	NUMBER OF OWNED SHARES	NUMBER OF VOTES	% OF VOTES IN TOTAL NUMBER OF VOTES	% OF SHARE CAPITAL
1	Prochem Holding M. Garliński Spółka Komandytowa	941,213	941,213	24.15	24.17
2	Steve Tappan	382,751	382,751,	9.82	9.83
3	Legg Mason Zarządzanie Aktywami S.A.	610,138	610,138	15.66	15.67
4	Otwarty Fundusz Emerytalny PZU S.A. „Złota Jesień“	369,000	369,000	9.47	9.46

There are no securities granting special control rights in relation to the Issuer.

There are no restrictions on the transfer of ownership of securities of the Issuer and the exercise of voting rights.

Description of the rules governing the appointment and dismissal of managers and their powers.

Issuer's managing persons are appointed by the Supervisory Board. The term of office of the Management Board of the Issuer shall be three years. Powers of the Management Board is determined by the Statute of Prochem SA and do not go beyond the framework set by the Commercial Companies Code. In particular, the right to decide whether to issue or buy back shares has only a General Meeting of Shareholders.

Description of principles of the amendment to the Statute or Articles of Association of the Issuer.

Principles of amendment to the Statutes or the Articles of Association of the Issuer are set out in accordance with the provisions of the Commercial Companies Code.

Operations of the General Meeting of Shareholders of Prochem SA

Operations of the General Meeting of Shareholders of Prochem SA and its basic rights and the rights of shareholders and their execution are contained in Statutes of Prochem SA and in the Bylaws of the General Meeting of Prochem S.A. Above mentioned documents are available on the website of Prochem SA www.prochem.com.pl.

The composition and the changes that occurred during the last fiscal year, and a description of activity of management board, supervisory authorities or administrative bodies of the Issuer and its committees.

On June 2, 2012, the Supervisory Board of Prochem SA appointed the Board of Prochem SA for the next term in unchanged composition.

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

- Jarosław Stępniewski - President
- Marek Kiersznicki - Vice President
- Krzysztof Marczak - Vice President

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

- Andrzej Karczykowski - Chairman
- Marek Garliński – Vice Chairman

- Dariusz Krajowski-Kukiel
- Krzysztof Obłój
- Adam Parzydeł

In the last financial year there were no changes in the composition of the Supervisory Board. Description of the activity of the Management Board is included in Bylaws of the Management Board, and description of the activity of the Supervisory Board in Bylaws of the Supervisory Board. These documents are available on the website of Issuer www.prochem.com.pl. The tasks of the Audit Committee as required under Art. 86 of the Act of 7 May 2009 on statutory auditors and their government, entities authorized to audit financial statements and public supervision were entrusted to the Supervisory Board of Prochem S.A.

5. Proceedings pending before the court, competent arbitration authority or public administration.

PROCHEM S.A. is still a party in the legal proceeding regarding accounting for the contract interrupted on 10 November 2005 for the general implementation of an investment project for the project under the name „Pipeline in a section from the ST-1 Adamowo to base of raw materials Plebanka” concluded with PERN S.A. PROCHEM S.A. filed a suit demanding the payment of PLN 41,301 thousand as the final settlement of contract. PERN S.A. filed a counter-claim against PROCHEM S.A. on the payment of PLN 129,444 thousand as the settlement of contract. On 18 January 2008 District Court in Warsaw delivered a judgment regarding this case by virtue of which rejected a claim filed by PROCHEM S.A. (Consortium GRI) and also refused a counter-claim filed by PERN “Przyjaźń” S.A. From the justification which was put forward by the Court it follows that:

- The court held that the claim for payment of an amount of PLN 41,301 thousand by PERN "Przyjaźń" SA is justified in principle, the same time the Court judged that the obligation is not yet due
- The court held that there is no ground to accept the counter-claim filed by PERN "Przyjaźń" SA.

After getting acquainted with the grounds for the judgment in writing PROCHEM S.A. lodged an appeal from this judgment in this part, in which the District Court declared the

claim for the payment of the amount of PLN 41,301 thousand by PERN "Przyjaźń" S.A. as premature and still not due, and in this part in which PROCHEM S.A. from PERN "Przyjaźń" S.A. to take over the obligations from the title of payment of guarantee deposits to contractors/suppliers. PERN "Przyjaźń" S.A. also lodged an appeal from the judgment, in which District Court rejected their counter-claim.

On 26 August 2008 Court of Appeal in Warsaw delivered a judgment on the appeal lodged by PROCHEM S.A. from the judgment of District Court of 18 January 2008 regarding case against PERN S.A. for payment of amount of PLN 41 301 thousand as the final accounting for of contract for the general implementation of an investment project for the project under the name "Pipeline in a section from the ST- 1 Adamowo to the base of raw materials Plebanka". The Court of Appeal in above mentioned judgment decided to refer the case to the District Court for settlement by accounting for aforementioned contract. From the justification presented by the Court of Appeal it follows, inter alia, that the claim of Prochem SA concerning the contract settlement is not premature as it was earlier recognized by the District Court. Apart from that the Court of Appeal stated that accounting for the contract should be made pursuant to the provisions of the contract. This stating is in compliance with position in a case of PROCHEM S.A.

PERN S.A. lodged the petition for the cassation into the Supreme Court from the part of this sentence. On the meeting on 15 January 2010 the Supreme Court dismissed the petition for the cassation stating the lack of reasonable bases which require the evaluation with reference to the appealed part of the judgment.

On 12 August 2010 the case was held before the district court in Warsaw, during which the court decided on appointing the expert, who will finally make accounting for arguable contract according to recommendations of the court of appeal. In April 2011 the case records were sent to the court expert. In the opinion issued in May 2012, the court expert confirmed the amount of the claim Prochem SA. On 5 February 2013 before the Regional Court in Warsaw next hearing was held with the participation of experts. After hearing the opinion of the experts, the Court appointed the next hearing for 16 May 2013.

The value of this proceeding exceeds 10 % of the equity of the Issuer.

In addition, the total value of the other proceedings separately for the group of liabilities and group of debts, doesn't exceed 10 % of the equity of the Issuer.

6.1 Information on basic products and services provided by Prochem S.A. Capital Group

1. The business activities of the companies in Prochem SA Capital Group is the provision of services and sale of goods and materials related to:

- construction industry: engineering and design, general contracting, project management, technical consulting, general construction work, installation and assembly services and rental of construction equipment;
- renting of office space;
- maintenance of technical installations, industrial plants, public buildings and facilities and real estate management,
- technical consulting, development and implementation of new technologies, the integration of information systems.

Revenues from the sale of these services in 2012 were by 25% lower than those achieved in the previous year.

The breakdown of revenues achieved on each type of activity is presented below:

(Revenues in PLN thousands)

Specification	the year 2012	the year 2011
TOTAL REVENUE FROM SALE OF SERVICES	130 096	173 292
including:		
- sale of engineering services and construction services	111 265	151 844
- sale of maintenance services and real estate management services	6 815	8 166
- lease of space	4 978	5 204
- sale of other services	7 038	8 078

6.2. Breakdown by sales of services markets

100% revenues from sales was achieved on domestic market.

The only buyer of services from the companies belonging to the Capital Group , whose share in the revenues from sale in 2012 exceeded 10% was Zachem SA - 22% of the revenue from sales.

There are no other formal connections with above mentioned entity besides trade agreements.

6.3 Information on concluded agreements significant for the activity of Prochem S.A. Capital Group

As at today anticipated in 2013 the main revenue of the Group of Prochem SA will be obtained from the implementation of contracts for the provision of services for Mineral Wax Factory in Belarus.

The Company is not aware of any agreements between shareholders Prochem SA, which would be important for its activity.

6.4 Information on organizational or capital Prochem SA Capital Group and on major capital investments made within the Capital Group.

The Issuer has the following subsidiaries directly or indirectly and associates:

Subsidiaries covered by full consolidation:

- Prochem Inwestycje Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%);
- Irydion Sp. z o.o. seated in Warsaw – subsidiary directly (100.0%).
- PRO-INHUT Sp. z o.o. seated in Dąbrowa Górnicza – subsidiary indirectly (99.0%).
- Pro-Organika Sp. z o.o. seated in Warsaw – subsidiary directly (91.4%).
- Prochem Serwis Sp. z o.o. seated in Warsaw - subsidiary indirectly (89.1%).
- PREDOM Sp. z o.o. seated in Wrocław – subsidiary indirectly (81.1% of capital and profit, 69.4% of votes).
- Prochem Zachód Sp. z o.o. seated in Słubice – subsidiary directly (60.0%);
- ELPRO Sp. z o.o. Kraków – subsidiary indirectly (85.0%, including 70.0% of participation in 50% sharing belonging to Elektromontaż Kraków).
- Elmont Inwestycje Sp. z o.o. Kraków – subsidiary indirectly (85.0%, including 70.0% of participation in 50% sharing belonging to Elektromontaż Kraków).
- Elektromontaż Kraków S.A. – subsidiary indirectly (70.0%), of which 31.4% of share capital and voting rights held by the company Prochem Inwestycje 100% subsidiary. The

Company prepares its consolidated financial statements, which contains data of a 100% subsidiary: ELMONT-POMIARY Sp. z o.o. seated in Cracow and two associates ELPRO Sp. z o.o. and Elmont-Inwestycje Sp. z o.o.

- IRYD Sp. z o.o. seated in Warsaw – subsidiary indirectly 100%.
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – subsidiary indirectly (87.3% share belongs to company Prochem Inwestycje Sp. z o.o. 100% subsidiary).
- Prochem RPI Sp. z o.o. seated in Warsaw – subsidiary directly and indirectly 100%.
- PRO PLM Sp. z o.o. seated in Warsaw – subsidiary directly and indirectly 100% (50% share belongs to company Prochem Inwestycje Sp. z o.o. 100% subsidiary),

Associated entities consolidated by the equity method :

- PROMIS Sp. z o.o. seated in Warsaw – indirectly associated (29.5% share in voting rights and 48.9 % in share capital held by company Prochem Inwestycje Sp. z o.o. 100% subsidiary),
- ITEL Sp. z o.o. seated in Gdynia – 42.% share (18.7% share in voting rights and capital belonging directly to Prochem S.A. and 23.3% held by Prochem RPI Sp. z o.o. (100% subsidiary) since 23 February 2010.
- TEOMA S.A. seated in Warsaw – 19.5% of share capital and 16.6% of voting rights (12.1% of voting rights belongs directly to Prochem S.A., and 4.4% held by Prochem Inwestycje Sp. z o.o. 100% subsidiary).

The rule adopted by the consolidation is not include in the consolidation of entities that are not operating, financial data of these companies do not distort information about the financial results of the Group of Prochem SA. Companies excluded from consolidation:

- Predom Projektowanie Sp. z o.o. seated in Wrocław – subsidiary

Subsidiaries and associated companies included in the consolidation were included in the consolidated financial statements from the date of obtaining control by the parent company.

6.5 Transactions with related parties.

In 2012 no significant transactions were concluded between companies from the Capital Group of the Issuer on other conditions than market conditions.

6.6 Information on contracted loans and credits

Name of the bank	Registered office	Credit limit	The amount of commitment	Repayment date	Terms of interest	Security
Contracted by Prochem S.A.						
BRE Bank Polska SA	Warszawa	6,000 Credit in overdraft	347	28 June 2013	WIBOR for O/N deposits in PLN + profit margin	Promissory note in blank
BRE Bank Polska SA	Warszawa	6,000 Working capital loan	6 000	28 June 2013	WIBOR for O/N deposits in PLN + profit margin	Promissory note in blank
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft	-	15 November 2013	WIBOR for 1 month deposits in w PLN + profit margin	Statement of submission to enforcement
Contracted by Elektromontaż Kraków S.A.						
Deutsche Bank	Kraków	500	76	30 August 08-2013	WIBOR for 1 month deposits in w PLN + profit margin	Mortgage of up to PLN 750 thousand on real estate in Zakopane
ING BANK Śląski	Kraków	2 500	-	21 July 2013	WIBOR for 1 month deposits in w PLN + profit margin	Mortgage of up to PLN 3750 thousand on real estate in Krakow at 7 ,Czysta Street
Kredyt Bank S.A.	Kraków	1 000	839	22 June 2013	WIBOR for O/N deposits in PLN + profit margin	Assignment of receivables
Contracted by Pro-Organika sp. z o.o.						
BRE Bank S.A.	Warszawa	100 Current account overdraft	100	30 April 2013	WIBOR for 1 month deposits in w PLN + profit margin	Cession of receivables
BRE Bank S.A.	Warszawa	65 Working capital loan	64	31 January 2013	WIBOR for 1 month deposits in w PLN + profit margin	lack
BRE Bank S.A.	Warszawa	100 current account overdraft	100	28 June 2013	WIBOR for O/N deposits in PLN + profit margin	lack
Contracted by Atutor Integracja Cyfrowa sp. z o.o.						
Kredyt Bank S.A.	Warszawa	6 Current account overdraft	-	Not applicable	12.91% for the time of account opening	lack

6.7 Information given and received guarantees and surety

The total value of guarantees and surety granted by the companies from the Capital Group connected with operating activities as at 31 December 2012 amounts to PLN 19,898 thousand, including:

- a) own bank guarantees for good performance of services – PLN 18,828 thousand;

- b) guarantee of the payment of rent – PLN 1,035 thousand;
- c) bill of exchange guarantee of the good performance of the contract – PLN 35 thousand

The total amount of contingent receivables from received performance guarantees and statutory warranty as at 31 December 2012 amounted to PLN 2,655 thousand.

In 2012, the companies from the Group did not grant the loan guarantees to related parties.

6.8 Description of the use of proceeds from issue

In 2012 the companies from the Capital Group didn't issue any securities.

6.9 Explanation of differences between the achieved financial results and forecast.

In 2012 Prochem S.A. Capital Group didn't publish the forecast of financial results.

6.10 Evaluation of management of financial means.

During the year 2012 disturbances to financial liquidity in PROCHEM S.A. Capital Group didn't occur. The Companies belonging to the Group are maintaining such a state of own financial means, that allows for timely fulfillment of its liabilities. There are no circumstances that would prevent from the implementation of their obligations.

6.11 Appraisal of possibility of implementation of investment objectives

In a Capital Group are included special purpose companies (Irydion, Elmont Inwestycje, Elpro), formed for implementation of development projects, on which in the nearest period will be focused the investment activity of Capital Group of PROCHEM S.A. At present these companies are in possession of appropriate real estates and have or are conducting the intensive preparatory work being aimed at obtaining essential permits for the implementation of an investment project. These projects will be financed in a large measure based on the external financing. In 2013, the company IRYDION gained a co-investor and started implementation phase of construction of an office and service building in Warsaw under the name Astrum Business Park.

6.12 Evaluation of factors and untypical events affecting achieved financial

In the assets of balance sheet of PROCHEM S.A. in the item "Receivables" appears an amount of PLN 17,363,930 from the title of guarantee deposits seized by PERN S.A. as security for any claims towards the Consortium Prochem/Megagaz (GRI) on account of the statutory warranty and guarantees resulting from Agreement no 20047 of 27 August 2002. The existence of this amount due and its amount in previous years were confirmed by PERN S.A. Simultaneously due to the fact that that totality of work and supplies connected with the completion of a contract No 20047 was executed by the Consortium with the help of subcontractors and suppliers, as security for warranties given by these companies a part of their remuneration was seized by PROCHEM S.A. as the guarantee deposit in a total amount similar to those seized by PERN S.A. According to agreements concluded with the companies as above, the guarantee deposits seized by GRI will be returned to subcontractors and suppliers after the expiry of statutory warranty and guarantee period, but not earlier than after the return of the guarantee deposit seized by PERN to PROCHEM S.A.

According to GRI the time of the statutory warranty and the guarantee expired on 13 February 2009. In connection with it PROCHEM S.A. demanded return of the seized amount of the guarantee deposit from PERN S.A. Request for payment as above remained unanswered. Irrespective of it, from the trial carefulness, the amount of the seized guarantee deposit was filed for judicial proceedings being aimed at final settlement of accounts for the contract No. 20047 of 27 August 2002 which at present is being conducted again before the District Court in Warsaw. Create a write-down of the amount due for seized guarantee deposits in the opinion of the Management Board is unjustified, since the above amount is in the indissoluble way connected and partially secured (in amount and on time) by the guarantee deposits given by subcontractors and suppliers and seized by GRI.

According to the evaluation of the Management Board of PROCHEM SA even if PERN will not return voluntarily the seized guarantee deposits, there is a great probability of regaining these amounts due even this year within final accounting for the contract which is a subject matter of judicial proceeding which is pending in the court.

6.13 Outside and internal factors essential for the development of the enterprise of Prochem S.A. Capital Group in 2013

The macroeconomic surrounding will have the significant effect on the development possibilities of Prochem S.A. Capital Group in the year 2013, in particular the state of the Polish economy which in the significant way influences decisions to be taken by the potential clients of Prochem S.A. (in particular industrial companies) on starting new investment objectives. A preparatory work aimed at starting the accomplishment of large-scale investments in the energy industry, chemical industry and the environmental protection is continued conducted. It will be reflected in the number of orders gained by the companies belonging to the Capital Group and in the end on achieved financial results in 2013. The Management Boards of companies belonging to PROCHEM S.A. Capital Group observe the current situation with the particular attention and if necessary are prepared for taking proper action being aimed at adapting its potential to new opportunities.

6.14 Characteristics of policy in the scope of development directions of Prochem SA Capital Group

Politics of Prochem SA focuses on the further consolidation of the Capital Group and adapting its business to rapidly changing market requirements.

6.15 Changes in basic principles of management of the Issuer and of Capital Group

In 2012, there were no significant changes affecting the management principles of the Issuer and of the Group.

6.16 Description of the agreements concluded between the Issuer and managing persons on compensation

Contracts of employment concluded by the Issuer with managing persons provide for the compensation in the amount of remuneration in the period of six months in case of dismissing the member of the Management Board from office, except for the situation when the dismissal is owing to evident guilt of the managing person.

6.17 Remuneration of persons managing and supervising the Issuer

Remunerations paid in 2012 in the enterprise of the Issuer to the members of Management Board and Supervisory Board was presented in explanatory remarks to financial statement for the year 2012.

6.18 Total amount of the shares of the Issuer and affiliated entities in the possession of persons managing and supervising the Issuer

As at the date of preparation of the financial statements, the members of the Management Board and Supervisory Board possessed shares Prochem SA as follows ;

- Jarosław Stępniewski – 37,787 units;
- Marek Kiersznicki – 17, 500 units;
- Krzysztof Marczak – 9,030 units.;
- Andrzej Karczykowski – 20,000 units.;
- Marek Garliński – 37,000 units.

The nominal value of 1 share is PLN 1.

Managing persons and supervising persons don't possess shares in affiliated companies

6.19 Information on agreements as a result of which changes can take place in proportion of shares possessed by previous shareholders.

Any agreements, which could result in changes in the proportion of shares held by existing shareholders are no known to the Company.

6.20 The control system for employee share program

There is no employee share program in the companies belonging to Prochem S.A. Capital Group.

6.21 Information on the agreement with the entity authorized to audit financial statements of the Issuer

The agreement with the entity authorized to audit financial statements KPMG Audit Limited Liability Company Sp. k for the audit and review of individual and consolidated Prochem SA for the year 2012 was concluded on 29 June 2012. The agreement was concluded only for auditing the year 2012. The total remuneration of KPMG resulting from the contract is 80 000 PLN net. Company KPMG neither was paid, nor is entitled to remuneration from other titles. On account of the examination and the review of financial statements for 2011 the company KPMG Audyt Sp. z o.o. Sp. k. received the

remuneration in the net amount of PLN 80,000. In the year 2012 company KPMG Audyt Sp. z o.o. Sp. k. neither was paid, nor was entitled to remuneration from other titles.

Krzysztof Marczak

Marek Kiersznicki

Jarosław Stępniewski

Vice President

Vice President

President