

**THE REPORT OF THE MANAGEMENT BOARD ON ACTIVITIES OF
PROCHEM S.A. CAPITAL GROUP IN 2013**

Warsaw, 24 April 2014

1. Principles of presentation of financial statements

Principles of preparation of the separate financial statements of PROCHEM S.A. Capital Group for the year 2013 have been included in Explanatory notes to financial statements.

2. Overview of basic economic and financial volumes disclosed in the annual financial statements and the presentation of the development prospects of PROCHEM S.A. Capital Group in 2014.

In 2013 PROCHEM S.A. Capital Group achieved revenues from basic activities in the amount of PLN 140 million. They are over PLN 4 million higher than those achieved in 2012. The loss of the Group at the operational level amounted to PLN 0.7 million and it results from losses on two contracts implemented by Elektromontaż Kraków SA (Segment - electrical installations). Other business segments in 2013 were profitable. Net loss attributable to shareholders of the parent company in 2013 was PLN 34 thousand. The existing strategy of PROCHEM S.A. Capital Group, consisting in retaining, despite the lack of orders, of the engineering potential, has already begun to bring tangible results in 2013. As one of the few engineering companies in Poland PROCHEM is able to provide high-quality multi-discipline design services. Thanks to that, in 2014 the work can be continued on the previously obtained several large contracts, the volume of which practically exhaust the capacities of the company. Into the implementation phase also entered a contract in Belarus with a value of EUR 48.2 million. PROCHEM will also continue the construction of an office building under the name Astrum Business Park in Warsaw. Taking all this into account the Management Board of PROCHEM S.A. positively assesses the prospects for the development of the Group in 2014.

3. Significant risks and threats to the activities of PROCHEM S.A. Capital Group

Companies belonging to PROCHEM S.A. Capital Group are exposed in its operations to the following types of risks and threats:

3.1 Economic fluctuations on the investment market

Some of the companies belonging to the Group provide services to the investment market, which is characterized a large scale of fluctuations in demand that is strongly linked to general macroeconomic situation of the country. Methods used by the Group to reduce the negative impact of this factor on the financial results (accumulation of financial reserves, diversification of services provided), cannot fully mitigate this risk.

3.2 Dependence on the staff

The risk of dependence on the staff in particular occurs in the Parent Company. Raising the quality of services provided, undertaking the implementation of complicated technological projects, the use of modern information systems, and the work for reputable clients require from workers the highest professional qualifications. Acquiring of such persons, especially in the situation of the liberalization of the European labor 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.

3.3 Exchange rate risk

Some contracts (mainly of parent company) for the sale of services were concluded with foreign companies in foreign currencies (EUR, USD). In case of significant stiffening of domestic currency this could adversely affect the Group's results. This risk is partially mitigated in a natural way through the purchase of equipment and services necessary for the execution of these contracts abroad.

3.4 The risk of dependence on significant buyers of services

This risk occurs mainly in the company from the Capital Group, which deals with the maintenance of technical installations and industrial plants. Such activities require for each contract of incurring of appropriate investment outlays for the purchase of spare parts, tools, and employment of skilled workers. Loss of a major recipient of services may lead to temporary financial problems of the company. Such risks are largely hedged through appropriate provisions of the agreement with the customer, under which the customer is obliged to reimburse capital expenditures incurred related to execution of order.

4. Statement on the application of corporate governance principles in 2013 by PROCHEM S.A.

General Meeting of PROCHEM S.A., by Resolution No. 7 dated. 8 June 2013. has adopted for use the Corporate Governance Principles under the name of Best Practice for WSE Listed Companies after amendment, as in Resolution No. 19/1307/2012 of the WSE Board dated. November 21, 2012., **with the exception of the rules laid down: Part I item 12, Part II item 1 subsection 9a and Part IV item 10.** The full text of the 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 system of the Issuer

Internal control is one of the functions of the current management of the Company that is exercised directly by the Board, directors, proxies and other employees in management positions or entrusted with this function.

Companies belonging to Capital Group have a comprehensive internal control system, whose purpose is to provide timely and accurate disclosure of facts relating to the all essential elements of the company's

activities. It contributes to obtain a complete understanding of the financial position, results of operations, the company's assets and management efficiency. Scope of the controls covers above all:

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

Institutional internal control examines the projects already completed and associated documentation. Its main task is to carry out comprehensive checks in respect of most important issues for the Group, and collecting and preparing the information on the activities of the organizational units of the Group, selected economic problems and other issues that in the period were regarded by the Management Board as the most essential. Apart from the institutional internal control, there is also the so-called functional control in the Group which is exercised by managers at various levels. They exercise supervision of the employees reporting to them, consisting in checking the scope of implementation of established tasks. Institutional internal control is exercised in PROCHEM S.A. Capital Group mainly by employees from financial and accounting departments and legal and organizational department. Some of the tasks of the internal control are carried out by appointed teams and committees.

Checks are carried out in all phases of activity in the form of initial inspection, current inspection and next inspection. Financial and accounting documents are subject to the substantive, formal and accounting inspection. Information about correctness - formal, substantive and calculation bears the signature drawn in a the identifiable way (full name) or bears the stamp of the authorized person and the date of approval of the document.

Functioning in PROCHEM S.A. Capital Group control system provides a completeness of the approach to business transactions, the correct classification of source documents and proper evaluation of the available resources at various stages of the registration, and thus ensures the correctness of preparation of financial statements and enables Management Board to carry the activities of the Group on the basis of a verified and complete information.

Description of risk management system in the Capital Group

In the activity occur following risks

- the risk of economic fluctuations on the investment market,
- the risk of loss of key employees,
- the foreign currency risk,
- the risk of dependence on significant buyers of services,
- the risk of the payment unreliability,
- the risk of adverse settlement of litigation with PERN.

Risk management in particular areas consists in :

- monitoring of the phenomena generating the risk,
- undertaking actions to lower the level of the risk.

In the area of particular risks the situation is as follows:

- the risk of economic fluctuations on the investment market
- monitoring of the macroeconomic situation and in selected industries,
- diversification in relation to scope (development of the activities allied to engineering services - maintenance, developer's activity)

- territorial diversification (expansion of exports)
- accumulation of financial reserves,

- the risk of loss of key employees,
- monitoring of the level of employment, remuneration and staff fluctuation,
- monitoring of the labor market and 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 system of recruitment – cooperation within the sector and maintaining the relations with universities,

- the foreign currency risk:
- monitoring and forecasting of exchange rates,
- currency forward 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 for the major buyers of services,
- contractual provisions containing the cushioning elements,
- maintenance of the partners relations with the regular customers

- the risk of the payment unreliability,
- monitoring of the financial standing of key partners before and during the execution of contracts,
- the use of specialized recovery procedures,

- the risk of adverse settlement of litigation with PERN
- monitoring of the legal situation by the Board and a team of lawyers.

Both the identification of risk factors, monitoring of them, and the applied system of risk mitigation measures in PROCHEM S.A. Capital Group are at a good level, and the implemented strategy of development and diversification conduces to a reduction of part of the risks and leads to the professionalization in scope of the used instruments.

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 HELD	% OF VOTES IN TOTAL NUMBER OF VOTES	% OF SHARE CAPITAL
1	Agreement PHC including: Steve Tappan	1,178,320 509,797	30.28 13.08	30.25 13.09.
2	Legg Mason TFI S.A.	560,549	14.39	14.39
3	Otwarty Fundusz Emerytalny PZU S.A. „Złota Jesień”	387,000	9.93	9.94
4	Noble Funds TFI S.A.	207,792	5.33	5.33

No exist any securities that would grant special controlling rights in relation to the Issuer.

There are no restrictions on the transfer of ownership of the Issuer's securities and of the exercising of voting rights.

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

Management Board of the Issuer is appointed by the Supervisory Board. The term of office of the Management Board of the Issuer lasts three years. Powers of the management are defined by the Statute of PROCHEM S.A. and 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.

Description of the principles of changes in the Articles of Association of the company of the Issuer.

Principles of changes in the Articles of Association of the company of the Issuer are set out in accordance with the provisions of the Commercial Companies Code.

The way of acting of the General Meeting of Shareholders of PROCHEM

Mode of action of the General Meeting of Shareholders of PROCHEM S.A. and its basic rights and the rights of shareholders and their execution are contained in the Articles of Association of PROCHEM S.A. and in the Regulations of the General Meeting of PROCHEM S.A. Above mentioned documents are available on the website of PROCHEM S.A. www.prochem.com.pl.

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

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

As at the date of preparation hereby financial statements the Supervisory Board of PROCHEM S.A. 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 Management Board and the Supervisory Board.

Description of the operation of the Board is contained in the Regulations of the Management Board, and the description of the operation of the Supervisory in the Regulations of the Supervisory Board. These documents are available on the Issuer's website - www.prochem.com.pl.

Tasks of the Audit Committee which is 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. continues to be a party to the proceedings before the court concerning the settlement of the contract which was interrupted on 10 November 2005, for the construction management of an investment project under the name of "Pipeline in a section from the ST-1 Adamowo to raw material base Plebanka" concluded with PERN S.A. PROCHEM S.A. filed a lawsuit to the court for payment of PLN 41,301 thousand under the final settlement of the contract. PERN SA filed a counterclaim against the Company for payment of the amount of PLN 129,444 thousand under settlement of the contract. On 18 January 2008 District Court in Warsaw issued a judgment in this case by virtue of which rejected a claim filed by PROCHEM S.A. (Consortium GRI) and also rejected the counter-claim filed by PERN "Przyjaźń" S.A. From the grounds for the judgment of the Court it follows that :

- The Court held the claim for payment of the amount of 41,301 thousand by PERN "Przyjaźń" SA as to be right in principle, at the same time, the Court assessed that the claim is not yet due,
- The court held that there is no reason to accept the counter - claim filed by PERN „Przyjaźń” S.A.

After getting acquainted with the written grounds of the judgment PROCHEM S.A. lodged an appeal against the judgment, in the part in which the District Court has recognized a claim for payment of the amount of PLN 41,301 thousand by PERN "Przyjaźń" SA as premature and unmatured, and in the part where PROCHEM S.A. demanded acquisition by PERN "Przyjaźń" SA the liability under return of the deposit guarantee to contractors / suppliers.

PERN SA also filed an appeal against the judgment, in which the District Court dismissed their claim from filed counter-claim.

On 26 August 2008 the Court of Appeal in Warsaw issued a final judgment on the appeal lodged by PROCHEM S.A. from the judgment of the District Court of 18 January 2008 in the case against PERN S.A. for payment of PLN 41,301,495.22 under the final settlement of the contract for the construction management of an investment project under the name of "Pipeline in a section from the ST-1 Adamowo to raw material base Plebanka".

The Court of Appeal in above judgment decided to refer the case to the District Court for settlement by making an accounting for the contract. From the grounds of the judgment issued by the Court of Appeal it follows, inter alia, that the claim of PROCHEM S.A. concerning the clearance of contract is not premature as was earlier recognized by the District Court.

In addition, the Court of Appeal stated that the settlement of the contract should be made under the provisions of the contract. This finding is consistent with the PROCHEM's position in legal proceedings.

From the part of this sentence PERN SA filed a cassation complaint to the Supreme Court. At its meeting on January 15, 2010 the Supreme Court dismissed the cassation complaint stating its lack of reasonable grounds, requiring the evaluation in relation to the contested part of the judgment. On 12 August 2010, a

hearing was held before the District Court in Warsaw, where the court decided to appoint an expert who according to earlier recommendations of the Court of Appeal will settle finally the disputed contract. On 5 February 2013 before the District Court in Warsaw, a hearing was held with the participation of experts, after which the court decided to oblige the parties to submit pleadings clarifying the final conclusions of evidence. On 9 August 2013, the Issuer received from the District Court in Warsaw the decision on ordering of the supplementary opinion which is to be prepared by experts and shall determine the value of services, supplies, and other liabilities of Prochem directly related to the implementation of the agreements that have been made after the date of withdrawal from the contract on the basis of commitments made prior to the withdrawal. The decision was in accordance with the application submitted to the Court by PROCHEM S.A. Supplementary opinion of experts was received by the Court in February 2014. The court expert in the opinions released upholds the claims of PROCHEM SA. Currently, the parties are awaiting a determination by the Court of the next hearing date.

In addition, the total value of other proceedings separately for the group of liabilities and the group of receivables does not exceed 10% of the equity of the Capital Group 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 belonging to PROCHEM S.A. Capital Group is the provision of services and sale of goods and materials related to:
 - construction: engineering and design, general contracting, project management, technical consulting, construction work, assembly and installation services and rental of construction equipment;
 - lease of office space;
 - maintenance of technical installations in industrial plants, public buildings and housing estate;
 - technical consulting, development and implementation of new process engineering development and implementation of new technologies, integration of IT systems.

Revenues from sale of such services in 2013 were by 3.3 % higher than in the previous year.

Breakdown of revenues by separate types of activity is shown below:

(Revenues in PLN thousands)

SPECIFICATION	in 2013	in 2012
TOTAL REVENUES FROM SALE OF SERVICES including:	134 428	130 096
- sale of engineering services and construction services	118 681	111 265
- sale of maintenance service and real estate management services	6 303	6 815
- lease of space	5 136	4 978
- sale of other services	4 308	7 038

6.2 Breakdown of the markets of sale of services in 2013

The share of exports in sale of services in 2013 amounted to 6.8%.

There was only one customer for services provided by the companies belonging to Capital Group whose share in revenues from sales exceeded 10 % in 2013 - the jointly-controlled company IRYDION Sp. z o.o. - 15% share in revenues from sales.

6.3 Information on concluded agreements significant for the activities of PROCHEM S.A. Capital Group

As at today, expected main income of PROCHEM S.A. Capital Group in 2014 will be achieved on implementation of contracts for the provision of services for Mineral Wax Factory in Belarus.

The Company is not aware of any agreements concluded between shareholders of PROCHEM S.A., which would be significant for the economic activities of PROCHEM S.A. Capital Group.

6.4 Information on the organizational or capital relations of PROCHEM S.A. Capital Group and about the main capital investments which were made within Capital Group.

The Issuer has the following subsidiaries directly or indirectly, associated entities, and jointly-controlled entities:

Subsidiaries covered by full consolidation:

- 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 (93.4%).

- 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 (85.2%, including 70.4% in the 50% share of Elektromontaż Kraków).
- Elmont Inwestycje Sp. z o.o. Kraków – subsidiary indirectly (85.2%, including 70.4% in the 50% share of Elektromontaż Kraków).
- Elektromontaż Kraków S.A. – subsidiary indirectly (70.4%), including 58.8% of capital and votes belongs to company Prochem Inwestycje subsidiary in 100%. Company prepares consolidated financial statements, which contains data of 100% subsidiary : ELMONT-POMIARY Sp. z o.o. seated in Kraków 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 100%.
- ATUTOR Integracja Cyfrowa Sp. z o.o. seated in Warsaw – subsidiary indirectly (87.3% belongs to company Prochem Inwestycje Sp. z o.o. subsidiary in 100%).
- Prochem RPI Sp. z o.o. seated in Warsaw – subsidiary directly and indirectly in 100% .
- PRO-PLM Sp. z o.o. in liquidation seated in Warsaw - subsidiary directly and indirectly in 100% .

Associates and jointly-controlled entities covered by consolidation using equity method :

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

The principle adopted at the consolidation is that the entities which do not lead activities will not be covered by consolidation - financial data of these companies do not distort information about the financial results of PROCHEM S.A. Capital Group. Companies not covered by consolidation:

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

Subsidiaries, associates and jointly controlled entities included in the consolidation were included in the consolidated financial statements from the date of acquisition of control by the parent company.

6.5 Related party transactions

In 2013, no transactions were concluded between the companies belonging to the Capital Group of the Issuer under conditions other than market conditions.

6.6 Information on loans and borrowings

Name of the bank	Registered office	Loan limit	The amount of involvement	Repayment date	Terms of interest	Security
By PROCHEM S.A.						
mBank S.A.	Warsaw	6,000 Credit in overdraft on current account	-	30 June 2014	WIBOR for O/N deposits in PLN + margin	Promissory note in blank
ING Bank Śląski S.A.	Katowice	3,000 Credit in overdraft on current account	-	16 November 2014	WIBOR for 1 moth deposits in PLN + margin	Statement of submission to enforcement
By Elektromontaż Kraków S.A.						
Deutsche Bank S.A.	Kraków	500	441	28 August 2014	WIBOR for 1 moth deposits in PLN + margin	Mortgage up to PLN 750 thousand on real estate
ING BANK Śląski S.A.	Katowice	2 500	2,479	21 July 2014	WIBOR for 1 moth deposits in PLN + margin	Mortgage up to PLN 3 750 thousand on real estate
WBK BZ/Kredyt Bank S.A.	Kraków	1 000	999	22 June 2014	WIBOR for O/N deposits in PLN + margin	Promissory Note
By Pro-Organika sp. z o.o.						
mBank S.A.	Warsaw	100 Credit in overdraft on current account	85	27 June 2014	WIBOR for O/N deposits in PLN + margin	lack
mBank S.A..	Warsaw	100 Operating credit	100	28 February 2014	WIBOR for 1 moth deposits in PLN + margin	lack
mBank S.A..	Warsaw	80 Operating credit	80	28 February 2014	WIBOR for 1 moth deposits in PLN + margin	lack
mBank S.A..	Warsaw	50 Operating credit	50	31 March 2014	WIBOR for 1 moth deposits in PLN + margin	lack
By Atutor Integracja Cyfrowa sp. z o.o.						
WBK BZ/ Kredyt Bank S.A.	Warsaw	6 Credit in overdraft on current account	-	Not applicable	12.91% at the time of account opening	lack
Bank Millennium S.A.	Warsaw	100 Credit in overdraft on current	27	Not applicable	12.91% at the time of account opening	lack

		account				
By Pro-Inhut sp. z o.o.						
ING BANK Śląski S.A.	Katowice	150 Operating credit	150	30 April 2014	WIBOR for 1 month deposits in PLN + margin	lack

6.7 Information on guarantees and surety granted and received

The total value of guarantees and sureties provided by the companies belonging to the Group and related to operating activities as at 31 December 2013 amounts to PLN 49,049 thousand, including:

- a) guarantee of good performance of services – PLN 17,202 thousand;
- b) guarantee of the payment of rent – PLN 1,134 thousand;
- c) tender guarantees – PLN 1,235 thousand;
- d) advance payment guarantee – PLN 29,478 thousand;

Total amount of contingent receivables under received performance guarantees and statutory warranty as at 31 December 2013 amounts to PLN 1,783 thousand.

In 2013 the companies belonging to Capital Group did not grant loan repayment guarantees to related parties

6.8 Description of the use of the proceeds from the issue

In 2013, the companies belonging to Capital Group did not issue any securities.

6.9 Explanation of differences between the achieved financial results and forecasts

In 2013 PROCHEM S.A. Capital Group did not publish forecast of financial results.

6.10 Assessment of financial management

During 2013 did not occur a distortion of financial liquidity in PROCHEM S.A. Capital Group. Companies belonging to the Group maintain such a state of own cash, that allows for timely acquittance of incurred liabilities. There are no circumstances that would prevent execution of contracted obligations.

6.11 Assessment of the possibility of implementation of investment objectives

Capital Group includes the special purpose companies (IRYDION, Elmont Inwestycje, Elpro) formed to implement development projects, on which the investment activities of PROCHEM S.A. Capital Group will focus in the nearest period. At present these companies are in possession of appropriate real estates, and are in possession 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, IRYDION gained a partner for joint investing and started implementation phase of construction of an office and service building in Warsaw under the name of Astrum Business Park.

6.12 Assessment of factors and unusual events affecting the financial results

In the assets of balance sheet of PROCHEM S.A. in the item "Receivables" appears the amount of PLN 17,363,930 from the title of guarantee deposits seized by PERN S.A. as security for possible claims towards the Consortium Prochem/Megagaz (GRI) under statutory warranty and guarantees under Agreement no 20047 of 27 August 2002. The existence of the receivables and the amount were confirmed in the previous years by PERN S.A.

At the same time, due to the fact that totality of the work and supplies related to execution of Agreement No. 20047 was performed by the Consortium with help from the subcontractors and suppliers, for security for the guarantee provided by those companies, PROCHEM retained a part of their remuneration as the guarantee deposit in the total amount which approximates to the amount retained by PERN S.A. In compliance with the agreements with the companies as above, the reimbursement of seized deposits to the subcontractors and suppliers by GRI, should take place after the end of warranty and guarantee, but not earlier than after the return of the guarantee deposit retained by PERN to PROCHEM S.A.

According to GRI the term 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 to pay as above remained unanswered. Irrespective of it, due to precaution in legal proceedings, the amount of withheld deposit has been filed to the court proceedings aimed at final settlement of the contract No. 20047 dated. 27.08.2002 r, which is currently being carried out again before the District Court in Warsaw.

Establishment of a write-down for the amount of receivables under seized guarantee deposits, according to the Board of PROCHEM S.A. is unjustified, since there is a very high probability of recovery of those claims in this year within the final settlement, which is the subject of litigation pending before the court.

6.13 External and internal factors essential for the development of PROCHEM S.A. Capital Group in 2014.

The macroeconomic surrounding will have the significant effect on the development possibilities of PROCHEM S.A. Capital Group in 2014, in particular the state of the Polish economy which in the significant way influences decisions to be taken by the potential clients (in particular industrial companies) on starting new investment objectives. Further work is underway to launch the implementation of large investments in the power industry, chemical and environmental protection. It will be reflected in the number of orders obtained by Companies belonging to Capital Group, and in the financial results to be achieved in 2014.

The Management Boards of Companies belonging to PROCHEM S.A. Capital Group with particular attention are monitoring the current situation and, if necessary, are prepared to take appropriate measures to adapt of its potential to new opportunities.

6.14 Characteristics of policy in the scope of directions of development PROCHEM S.A. Capital Group

Politics of PROCHEM S.A. 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 its Capital Group

In 2013, there were no significant changes affecting the principles of management of the Issuer and its Capital Group.

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

Employment contracts 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 where the dismissal is due to obvious fault of the person managing.

6.17 Remuneration of the members of the Management Board and the Supervisory Board

Remuneration paid in 2013 by the Issuer to the members of the Management Board and the Supervisory Board is presented in the notes to the financial statements for 2013.

6.18 The total amount of shares of the Issuer and related entities held by members of the Management Board and the Supervisory Board of the Issuer

As at the date of the financial statements the following members of the Management Board and Supervisory Board held shares of PROCHEM S.A.;

- Jarosław Stępniewski – 80,943 units.;
- Marek Kiersznicki – 70,143 units.;
- Krzysztof Marczak – 42,700 units.;
- Andrzej Karczykowski – 115,186 units.;
- Marek Garliński – 86,400 units.;
- Adam Parzydeł – 15,300 units.

The nominal value of 1 share is PLN 1.

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

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

The Company is not aware of any agreement, which could result in future changes in the proportion of shares held by existing shareholders.

6.20 The control system for employee share programs

In the companies belonging to PROCHEM S.A. Capital Group does not operate any employee share program.

6.21 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 KPMG Spółka z ograniczoną odpowiedzialnością Sp. k. for the audit and review of separate and consolidated financial statements of PROCHEM S.A. for 2013 was concluded on 15 July 2013. The agreement was concluded only for the audit of the financial statements for 2013. The total remuneration of KPMG under the contract amounts to PLN 90,000 net. KPMG neither was paid any remuneration, nor is due under other titles. From the audit and review of financial statements for 2012 KPMG Audyt spółka z ograniczoną odpowiedzialnością Sp. k. received a remuneration in the amount of PLN 80,000 net. In 2012 KPMG Audyt spółka z ograniczoną odpowiedzialnością Sp. k. neither was paid any remuneration, nor is due under other titles.

Vice President
Krzysztof Marczak

Vice President
Marek Kiersznicki

President of the Management Board
Jarosław Stępniewski